



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

---

# ***Daily Report***

## ***Supplement***

# **East Europe**

---

JPRS-EER-93-064-S  
Wednesday  
7 July 1993

# East Europe SUPPLEMENT

JPRS-EER-93-064-S

## CONTENTS

7 July 1993

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

### CROATIA

President Tudjman 'Booed' in Dalmatia [Belgrade POLITIKA 1 Jun]	1
Western Diplomacy Accused of Hypocrisy [DANAS 11 Jun]	2
Disagreements in Serbian Krajina Parliament [Belgrade POLITIKA 14 Jun]	3
HNDL Advocates Military Solution for Krajina [DANAS 11 Jun]	4
Phone of Zupanijas President Bugged [DANAS 11 Jun]	8
HDZ Blamed for Economic Crisis [Belgrade EKONOMSKA POLITIKA 7 Jun]	10
National Bank of Croatia Governor Interviewed [VJESNIK 21-22 Jun]	12

### CZECH REPUBLIC

* Talks With Sudeten Germans Face Obstacles [Frankfurt/Main FRANKFURTER ALLGEMEINE 17 Jun]	16
* Economic, Financial Developments in 1990-92 [HOSPODARSKE NOVINY 27 May]	17

### POLAND

* New Perspectives on Trade With Israel Announced [NOWA EUROPA 9-10 Jun]	25
* Commercial Aircraft Developments Profiled	26
* Sokol Helicopter Described [POLSKA ZBROJNA 3 Jun]	26
* Export Chances Viewed [POLSKA ZBROJNA 4-6 Jun]	27
* Effects of Change in Customs Duties Announced [NOWA EUROPA 9-10 Jun]	28

### SLOVAKIA

* KSU Chairman Discusses Situation in Slovakia [REPUBLIKA 9 Jun]	30
--	----

### YUGOSLAVIA

#### Federal

Fikret Abdic's Role in Politics Discussed [VREME 28 Jun]	32
Relations To Be Normalized With Former Republics [POLITIKA 31 May]	34
Retired Vice Admiral Defends War Record [BORBA 2 Jun]	34
Results of Public Opinion Poll in FRY [VREME 21 Jun]	36
Commentator on 'Absurdities' of Bosnian Conflict [VECERNJI LIST 15 Jun]	40
Data on Jugoskandik Funds Given to SPS [POLITIKA 19 Jun]	40
New Federal Law on Trade Passed [POLITIKA 4 Jun]	42
Cuts in Federal Administration Planned [POLITIKA 15 Jun]	42

#### Serbia

Seselj Appoints New Chetnik Dukes [BORBA 1 Jun]	43
Production Falling, Prices Rising [POLITIKA 2 Jun]	44
Largest Food Producer Interviewed [POLITIKA 31 May]	45

### President Tudjman 'Booed' in Dalmatia

93BA1125C Belgrade POLITIKA in Serbo-Croatian  
1 Jun 93 p 7

[Article by Radoje Arsenic: "Croatian Political Crossroads: Cold Shower for the Father of the Nation"]

[Text] *A serious incident at Split's Poljud, when the crowd booed Tudjman, a warning to the wielders of power in Zagreb that the patience of the people is not without limits. The Herzegovinian weight on Croatian backs. Why was "From the Vardar, Right Up to Triglav" sung in Primosten?*...

Zagreb, 31 May—Although this planet stepped into the era of universal technology long ago, a material has not yet been discovered that can be stretched indefinitely without finally breaking. It can be somewhat similar with human patience, which up to now has been this country's best known characteristic in that sense, but even it cannot be stretched indefinitely.

The Croatian "father of the nation," President Franjo Tudjman, is thinking about that phenomenon—if he has time and the will—these days, while an unpleasant picture of mass impatience is appearing before his eyes, which was indicated to him recently when he appeared in the first final contest of the Croatian football cup at Poljud stadium in Split, and the widespread shouts are still resounding in his ears—"Franjo, get out!" We will say nothing about the other, more offensive epithets.

Tens of thousands of local football lovers also saw this on a live television broadcast, but they were deprived of yet another Poljud occurrence not caught by the camera. At the same time a donkey was brought onto the field of the stadium, burdened in the Dalmatian way—in white socks.

The message was quite clear, and there is no politically semiliterate person hereabouts who did not understand this symbolism, and at the same time there was indicated yet another political crossroads which has become increasingly visible on the Croatian political scene.

### Warning to Tudjman

The patience of the populace has obviously been strained to the degree when, for example, a stretched rubber band begins to change color before it snaps. Indeed, there are analysts who claim that this environment, according to some kind of tradition, is already not prone to explosive uprisings regardless of who it is and how he is riding the horse and applying the spur, figuring that the "breaking point" is still fairly far off, at least insofar as it divides us from those actual Somalian pictures.

One of the characteristics of the present time in Croatia is the visible absence of jokes. Sociologists will probably know how to explain that, but some leak out, such as this one, for example: "Do you know how to recognize a Herzegovinian during an armed robbery? On his head he's wearing—a white sock."

And this joke from the streets of Zagreb is closely tied to the above-mentioned occurrence in Split. White socks (because of the noticeable tendency toward this addition to dark clothing) in today's Croatia denote in the broadest layers of citizens an increasingly unpopular social group which arrived (and is still arriving en masse) from western Herzegovina and which practically rules many, and even some key parts of Croatian society.

This nervousness of "autochthonous Croats" is increasingly evident, and there have already been in local newspapers several surveys and a series of articles about whether Herzegovinians are indeed "conquering" Croatia and why some natives like them and some don't. There have been all kinds of answers, and some claim that after such public discussions they notice white socks less. These are changing into other, less noticeable colors.

Tudjman came to the stadium in Split direct from a visit to Herzegovina, where he held talks as if he were president there too, and newspapers in Croatia carried reports under titles with a whole page of print—"Tudjman: Thanks to Herzegovina!" Tudjman expressed much of this on that tour, but, for example, the words communicated to Herzegovinians that "the existence of the Croatian state depends on your existence here" sounded particularly dissonant for some ears in his homeland.

Fresh from his tour of Herzegovina the "father of the nation" also wanted in his characteristic way to show triumph in the Dalmatian shrine, Poljud stadium, but he experienced a big surprise, and the former "Dynamo" (whose name he changed into "Kroatia") a resounding defeat by "Hajduk." Dr. Tihomil Radja, official in the Croatian Peasants Party (HSS), gives one of the most interesting interpretations of what really happened there in his column in NEDJELJNA DALMACIJA (Weekly Dalmatia).

"The president of the Republic will have to draw very specific conclusions from the Poljud incident and the way it stands out totally from his Herzegovinian triumph. It is very probable that the extremely repugnant behavior of the public at Poljud was a subconscious reaction to the increasingly greater and increasingly disproportionate weight of Herzegovina in Croatian policy. At a time when the Croatian political public expected that the influence of Herzegovina on the Republic would decrease, it has increased to worrisome absurdity," says Radja, and adds:

"Carried away by a wave of national enthusiasm, the Croatian president in Herzegovina reached politically unclear waters. Namely, it is neither politically wise to state, nor is it the truth, that 'the existence of the state of Croatia depends' on seven west Herzegovinian districts. That is not even correct from the purely military viewpoint, because those who are informed are well aware how the defense of the Dubrovac-Neretva rear is organized. With the majority of Herzegovinians, the feeling for discipline and organization is insignificant in relation

to their large patriotic heart. This is also the case with the sense for politics as a skill for achieving the desired within the framework of the possible..."

Thus this short analysis refers to some events, insufficiently known to the broad public, but judging from everything has an increasingly direct effect on the depth of local political events.

#### Incident in Primosteno

Tudjman's bitter and ominous experience with the Dalmatians also has other dimensions and reverberations which only confirm the increasingly weak Croatian political situation. Specifically, there are claims and opinions that the instigators of what is called here the "Poljud scandal" were so-called "Yugo-nostalgics"; this is practically a euphemism here for "fifth column."

Dr. Tihomil Radja also has this in mind, but he indicates that the "real question is why their move so passionately swept up tens of thousands of spectators." He concludes: "It is evident that this is a case of the express and manifold dissatisfaction of Split and Dalmatia with their increasingly critical position within the Republic. Therefore, the 'Dalmatian action' is not politically important in that it mainly assembled a few autonomous 'late Yugoslavs,' but in that it provides a suitable framework for assembling the dissatisfied."

One "Poljud reverberation" also reached the peaceful Primosteno and evolved into a serious incident, which resulted in the beating up by the police of several participants (and the replacement of several policemen for "exceeding their authority"). However, some are still concerned that "Hajduk" fans, during a stormy nighttime celebration of the victory over "Kroatia," sang at the top of their lungs, in a "verbal confrontation" with the quickly arriving civilian and military police, "From Vardar, right up to Triglav...", with emphasis on the "Yugoslaviaaaa..."

There was additional stimulus for the infuriated police to "exceed their authority" and use their nightsticks and gun butts, and the young mischief-makers excused themselves later that they intentionally sang this in order to "punish" the local innkeeper, who they believed had reported them to the police for creating a nighttime disturbance, and he—according to them—was known as a Yugoslav, in order to pose now as a greater Croat.

#### Western Diplomacy Accused of Hypocrisy

93BA1151C Zagreb DANAS in Serbo-Croatian  
11 Jun 93 p 18

[Commentary by Zvonko Lerotic: "Defense of Force"]

[Text] After the disintegration of the Soviet Union, Ukraine became a nuclear power, and now its security in the event of a possible attack is provided by missiles with 1,600 nuclear warheads. The secretary of defense in the Clinton Administration, Les Aspin, speaking in

Garmisch [Germany] before leaving for talks on denuclearizing Ukraine, when asked by journalists about the UN resolution on safe zones in Bosnia-Herzegovina, responded that it was too early to talk about that. He refracted the entire tragedy of Bosnia-Herzegovina with one laconic phrase: Next question, please. In other words, nothing about that. The British foreign minister was more specific: Adopting a resolution is one thing, and we have done that, but applying it is another thing. In other words, sorry, but there is nothing that we can do here.

All in all, things are proceeding as the Westerners wish. After the massacres of Croats by Muslims near Travnik, the Westerners are convinced that the Muslims will conduct ethnic cleansing once they have the opportunity to do so. Or to put it quite simply, they are the same as all the others. They did enjoy the status of victim, but that status has been lost now. The day when the commander of the B-H Army, Sefer Halilovic, and Minister of Internal Affairs Jusuf Pusina were replaced will go down in the history of the Balkan horror as the date when the West dropped its distinctions and distanced itself from all sides in the conflict. The consequence of this will be a continuation of the soft policy toward Milosevic and of the ineffectual policy toward the Muslims. Economically isolated Croatia will continue to face the threat of restrictive measures and sanctions. Discussing sanctions against Croatia, the EC foreign ministers in Luxembourg emphasized that threats alone will be enough to halt the war between Croats and Muslims.

The process of dropping distinctions among all the "belligerent sides" is only the beginning of a period of standardization or homogenization of the Western world's policy toward all the new states from the former Yugoslavia. This reflects the aim that all newly emerged state forces cancel each other out through fighting and exhausting one another. Knowing that they have to a certain extent made their position equivalent to that of the Croats and Muslims, the Serb leadership is eliminating from the game everything that they maintained as necessary to join the negotiations and thus confirm their conquests. As a result of the renewed introduction of pure force to politics, Karadzic is publicly renouncing his idea of a confederation and proposing to Lord Owen a partition of Bosnia-Herzegovina in such a way that the Muslim areas around Tuzla and Zenica belong to the Serb "republic," retaining a certain level of autonomy. Lord Owen is only theoretically a presence in the Bosnian region. He rejects Karadzic's new proposal on partitioning Bosnia-Herzegovina, publicly attacks his old proposal on confederalization, and is angry at the Americans for not providing military and material support to his and Vance's plan. And finally, Owen is being forsaken by those who chose him.

What is the main point of the moment? Perhaps the message that Milosevic recently sent to Gligorov: Without defensive strength, you are helpless. After all the events of recent weeks, he outlined in this sentence the strategy of his future policy. This represents his



intention to use diplomacy and skillful maneuvering to economically and politically isolate all new states in order to keep them under control or in order to place them under his control, leaving them without any defensive strength. The Muslims are one such small ethnic group, which Karadzic will devour. It is not hard for him to see that the UN forces are not in a position to congregate and enter the safe zones.

Following Milosevic's new policy, the Knin Serbs are preparing a response to Butrus-Ghali and the UN Security Council with respect to both extending and changing the UNPROFOR [UN Protection Force] mandate. By adopting a resolution on a referendum and placing part of Croatian land under the authority of Banja Luka, the Serbs want to legalize a forcible change of borders and quash the Vance plan, as well as all the Security Council resolutions on UNPAs [UN Protected Areas]. What they began by force, they are completing by force. The Security Council reacted immediately, sending a message in which the United Nations affirmed territory integrity and said that the UNPAs are a constituent part of the Republic of Croatia. Croatia is entering a period of new opportunities. It is becoming the victim of Milosevic's new policy, and now of Izetbegovic's new policy as well. Now that Croatia has sunk to the bottom, as many pessimists maintain, the door of understanding for Croatian interests and Croatian views is opening.

The closer we come to the end of the month, when the Security Council is to make a decision on UNPROFOR, the more hurriedly Serbia is working on creating Greater Serbia. The threat to Kosovo and Macedonia are only a ruse intended to divert attention from the main goal. The main goal is to destroy the Muslims as a constituent nation, either by expelling them into Croatia or by subjugating them. An end to the Croat-Muslim war is expected, after which the Serbs will jump into the void resulting from the ethnic cleansing of Croats. Once the Croats disappear from central Bosnia, the Serbs can begin by capturing and linking Jajce and Pale. After all that has happened, the Muslims are still incapable of firmly committing themselves to anyone, regardless of external circumstances.

Indicative in all this is the U.S. resolve not to send its boys to the ravines of Bosnia, but also Moscow's decision, after the failure of the Vance-Owen plan, to leave its boys in Russia. Milosevic has shored up everything. All these helpless people, lacking defensive strength, will submit to his defensive strength in the territory of the former Yugoslavia. Thus, he can beat Danica and Vuk Draskovic black and blue, demonstrating in this way that those who were ostensibly their defensive force protect their human rights abstractly and ineffectually, but that they will not protect their lives. Similarly, he knows quite well that Western democracy will vocally defend the human and civil rights of the Muslims, but that it will not defend their lives. He has come to understand the cynicism of the ideology of human rights, in which the meaning and dignity of human life has been lost. He has come to understand that there is no danger from fighters

for human rights; rather, his danger lies in resolute fighters for human lives. Because one soldier who defends human lives from Serb aggression is worth more in the moral sense than all the Western diplomacy that does not take the ideology of human rights as a defensive force for saving lives. The former reflects the meaning of life, the latter human vanity.

#### **Disagreements in Serbian Krajina Parliament**

93BA1164A Belgrade POLITIKA in Serbo-Croatian  
14 Jun 93 p 6

[Article by Snezana Beric: "Criticism of Arbitrariness Taken as Secession"]

[Text] Vukovar, 13 Jun—In spite of the resolutions that have been passed concerning the referendum on unification of the two Serbian states, the Serbian Republic Krajina [RSK] and the Serbian Republic [RS], there are evident disagreements in the very top leadership of the Krajina government. In addition to the problems and differences in opinion between the government, parliament, and president of the republic, differences within the Assembly itself, between deputies from the territory of Slavonia, Baranja, and western Srem and deputies from other parts of the republic, have also become more pronounced.

The accusations that up to now have been coming from the Serbian Oblast of Slavonia, Baranja, and Western Srem that the Krajina government has centralized the state in Knin, thereby neglecting and impeding development of one part of Krajina to benefit the others, have carried over to the republic parliament. Caslav Niksic, the new president of the oblast assembly and vice president of the republic Assembly, along with some of the deputies, has addressed a number of reproaches to Mile Paspalj, president of the republic parliament.

#### **Removal Was Not Envisaged**

To go back a bit, on Friday, 4 June, there was a meeting of the large People's Assembly of the Serbian Oblast of Slavonia, Baranja, and Western Srem in Borovo, after an interval of almost a year. The assembly was called, he says, at the request of many deputies, by Caslav Niksic, who up until now had been vice president of the assembly, for the deputies to adopt resolutions and take them to the republic Assembly. Caslav Niksic says that removal of Ilija Koncarevic, president of the assembly, was not envisaged at that time.

However, at the request of the deputies, that item was put on the agenda, and after numerous accusations were made, a vote of no confidence was passed in Koncarevic, up to that point president of the assembly, and Caslav Niksic, vice president up until that point, was elected the new president.

"The deputies reproached the former president of the assembly for not having convened the assembly for a year, although there had been requests and need," says

Caslav Niksic, the new president of the assembly. "Over that same period there was no meeting of any committee of the assembly, although all members had been appointed. Also, the chairman of the Oblast Council of the Serbian Oblast of Slavonia, Baranja, and Western Srem had informed the deputies that twice he had personally requested a session of this assembly in writing and had not received any answer whatsoever."

In the public domain, many people have been describing this kind of behavior by the former president of the assembly as a kind of obstruction of the assembly's proceedings. However, the most essential fact for ordinary people is that no one, they say here, knows Ilija Koncarevic, because he does not live here. Ilija Koncarevic is not a citizen of the RSK, they say, but was imposed "temporarily" before the war, but he remained and usurped power.

Following that showdown and removal in the oblast assembly, the deputies of the republic Assembly for Slavonia, Baranja, and western Srem have adopted a joint position that they would go to the session of the RSK Assembly in Petrinja although none of them, according to Caslav Niksic, had received a summons to the session.

"We put a question of confidence in Mile Paspalj. That was the joint position taken by the oblast assembly with which we went to the session in Petrinja," says Caslav Niksic. "After all, in the last session we placed confidence in a new prime minister and government which in its effort, in spite of the difficult situation, has been showing that it can get results. Just like our former president of the assembly, Mile Paspalj, in our judgment, has not been collaborating sufficiently with the government, as all the deputies and parliamentary groups that have not been convened and consulted have been able to see for themselves. This difference in views between the president of the assembly, the prime minister, and the president of the republic is clearly evident in the speech made by Prime Minister Djordje Bjegovic. We had no intention of immediately proposing the removal of Mile Paspalj, but of indicating our joint position and of getting him to make a greater effort."

Mile Paspalj, president of the RSK Assembly, Caslav Niksic, and the Slavonian deputies are blamed for quarreling about putting the question of confidence in RSK President Goran Hadzic on the agenda.

#### The People Need To Be Consulted

"I hope that in the future we will jointly prepare the meetings of the assembly and there will be no recurrence of such cases. To that end, we are not putting a question of confidence in Mile Paspalj at this point," says Caslav Niksic.

However, many see this behavior coming from the area of Slavonia, Baranja, and western Srem as secession, and they have so proclaimed it. That is the interpretation of Caslav Niksic's call for the deputies from Slavonia,

Baranja, and western Srem to separate and withdraw from the session before the vote on the referendum. However, Caslav Niksic justifies this demand by saying that the deputies from Slavonia came to the meeting completely unprepared.

"Why do individuals think that we are seceding from the Krajina? We came to the conclusion that we have not by any means deprecated the other segments of Krajina, but we simply want to consult the people. That is why I called for the withdrawal from the assembly," says Caslav Niksic. "And that is why we will invite to a meeting in the Serbian Oblast of Slavonia, Baranja, and Western Srem all the relevant officials and ask for their opinions so that we can represent the people with full legitimacy."

#### HNDL Advocates Military Solution for Krajina

93BA1151D Zagreb DANAS in Serbo-Croatian  
11 Jun 93 pp 27-29

[Interview with Ivan Vekic of the Croatian National Democratic League, by Zeljko Luburovic; place and date not given: "War Must Be Waged Against Serbia"]

[Text] *I advocate a radical solution to the Serbian question, and that is the use of force which, for now, would stop at the internationally recognized borders of Croatia.*

Six months have passed since the founding of the Croatian National Democratic League (HNDL), a party that many people identify with its leading figures, attorneys Ivan Vekic and Bosiljko Misetic. By the look of it, a half a year is a short period in the life of a political party, during which time it cannot do very much. But at the same time, it is a period after which at least some sort of retrospective is possible. We spoke with a member of the Board of Three of the HNDL, Ivan Vekic, about the party organization, its ambitions, and its views of current political events.

[Vekic] The HNDL was organized according to principles that are themselves nothing new, distinguishing us from other parties in Croatia. We determined that Croatia is very quickly falling prey to leaderism, so that we applied a novelty in our party's leadership structure, i.e., leadership through the Board of Three. This means joint leadership until the point when the membership must legitimize the party's policy. The problem with Croatian political parties is that the leader of the party is most identified with the party, and only then with the state interests. Thus, we are arriving at a situation where individuals, or a small number of people, are interpreting the political will of the entire Croatian nation.

[Luburovic] In what regions is the HNDL best represented?

[Vekic] In Zagreb and vicinity and in Dalmatia.

[Luburovic] What is your interpretation of that?

[Vekic] Perhaps that is because in Zagreb we have managed to fit in with the peacetime view of Croatia, while in Dalmatia we have fit in with the wartime view of Croatia. We are trying to reconcile these two opposites.

[Luburovic] One gets the impression that the HNDL is very quiet when it comes to political criticism?

[Vekic] That comes from our world view, which is translated into our political stance. We are conservatives, nationalists. For conservatives, the state is the absolute authority, unlike liberals, for whom the world and interests come down to individuals. Liberals atomize the state and the nation. For us, however, the state is the authority, and for that reason we do not step up and criticize.

[Luburovic] Is the state an interest or an authority?

[Vekic] An authority. But one must not confuse the government and the state here. The state is an organizational construction of a certain number of people in a certain territory. Thus, man and soil. The government is elected by the nation, and it can be criticized.

[Luburovic] Thus, in the general interest you avoid criticizing the government because you place the state above the government?

[Vekic] Right. Especially with regard to the problems facing Croatia.

[Luburovic] Some political parties will regard you as people who are in a pact with the government because of that statement.

[Vekic] We have no contact whatsoever with the government.

[Luburovic] Then what is the sense of your party's activity?

[Vekic] The sense is to establish a state in full force. Here we have plenty of criticism of the government as such and of persons who are in that government, as well as of the omnipotence of the ruling party, which should renounce that power. We are trying to effect Croat unity.

[Luburovic] It has been said that you want to establish yourselves as the party of the Croatian state Right?

[Vekic] Rightism as a state-building and political world view that is incorporated into the foundations of the HNDL, but only as one of the principles. The interests of the Croatian nation are much broader.

[Luburovic] The HDZ [Croatian Democratic Community] also invokes the Rightism of Ante Starcevic, and even the views of Radic, etc.?

[Vekic] That is normal. Every nation has political landmarks. Within that nation, everyone has the right to invoke them, but no one has a license on them. Thus, we

do not say that we are the Rightist party, but rather a party incorporating Rightism.

[Luburovic] In other words, the only question is who in Croatia will better interpret all these traditions?

[Vekic] Exactly. As traditionalists, we have an absolute right to Rightism, as interpolated to 1993, but not to a Rightism that is its own end and that stops at Starcevic.

[Luburovic] Can you identify rightists who have stopped at Starcevic?

[Vekic] The Croatian Pure Rights Party, the Croatian Rights Party, as well as the Croatian Democratic Rights Party of Kresimir Pavelic.

[Luburovic] Why the word "league" in the party's name?

[Vekic] Because we were and are the preparation for an alliance or league for Croatia. This means that we are ready to unite parties that include Rightism and Croatian singularity and originality. This is not necessarily just conservatism.

[Luburovic] Are you also ready to unite with the Croatian Left?

[Vekic] No. Because it cannot renounce a certain cosmopolitanism, but here we are talking about Croatian conservatism that can fit in with the general conservative trend in the world. Conservatives nearly won the elections in Spain, and they won resoundingly in France.

[Luburovic] Does Croatian conservatism mean at the same time Croatian exclusivism?

[Vekic] Not in the negative sense, but certainly in the sense of what makes Croatia specific, distinct, and original. This comes down to the identifiability of Croatian political ideas in the world.

[Luburovic] In other words, for you Croatia is above all else?

[Vekic] Absolutely. That notion also contains the postulate that for us the authority of the Croatian state is above all else.

[Luburovic] For the HNDL, what is the Croatian state? How far does its territory, its nation extend?

[Vekic] For utilitarian reasons, we accept right now that the Croatian state is the state within the borders currently recognized by the international community. But we reserve the right to raise, under certain favorable circumstances, the question of that territory that has been taken from Croatia by force and through detrimental agreements. Thus, not by migrations. We advocate achieving that through democratic means. We favor force only when we must defend ourselves from attacks. One of these days it will be legitimate to raise the question of Vojvodina. Is it really possible that Croatia will renounce its legitimacy to certain territory!?



[Luburovic] Is that perhaps an illusionist policy?

[Vekic] Several years ago, to say nothing of earlier, it was completely illusionist to speak of a separate Croatian state. Tito once said that the Sava will flow upstream when Croatia has its own army. Croatia has its own army, but I was at the Sava recently and it is still flowing downstream. What seems to be an illusion today will not necessarily be an illusion tomorrow. No one has the right to renounce that to which Croatia has a right. It could be that we will end up without a little part of Bosnia. But can anyone say after 100 years that Croatia renounces Bosnia?

[Luburovic] The whole time you are saying that you are doing everything on behalf of Croatian interests. Can you identify political currents in Croatia that are working against those interests?

[Vekic] Inherently, our conservative world view is opposed to the liberal world view. I am not talking here specifically about the Croatian Social Liberal Party, but I do contend that if even if the liberals implement liberal principles in Croatia, their only adversary would be the conservatives of Croatia, who for now are called the HNDL.

[Luburovic] You do not see any others besides the liberals?

[Vekic] We are talking here about a clash of world views, not of political parties. The liberal world view is harmful for Croatia, but the extent to which our liberals are harmful is a function of their actions at a given moment. The atomization of a small nation is the most harmful thing for their future. I want to say that we have no enemies among political parties, but that we oppose certain world views. Thus, we do not see the liberals or any other political party as our enemies. We have also incorporated that principle into our foundations. After all, we invite all parties to unite in the defense of the Croatian state. We exclude from this those that strut around with offers of a confederation or some sort of new Yugoslavia, but the Croatian liberals are certainly invited.

[Luburovic] When you talk about uniting all forces, you would be ready to participate in a possible new government of national unity?

[Vekic] No, and that is because of the experience we had from the time when we were in the government. The government must express the will of the people.

[Luburovic] But the will of the people is variable.

[Vekic] I agree, but only to a certain extent. Because as far as the fundamental principles of a nation are concerned, there the will of that nation is constant. And the fundamental principle of the Croatian nation is the biological survival of Croats on this soil. That is the constant of every nation.

[Luburovic] Can the League harken to the will of the people in this regard?

[Vekic] We are continuously among the people. Just recently we spent some time in Zadar, and not for demagogic reasons, but simply in order to see what is going on with those people. We talked with ordinary people, not with political mannequins.

[Luburovic] What did you conclude from those talks?

[Vekic] We concluded that the policy currently being pursued by the Croatian leadership is much more far-removed from the problems of Zadar than it should be. We got the impression that the problem of the physical isolation of Dalmatia has not yet had an adequate place in official policy. And that is a problem to which the Croatian government must give absolute priority.

[Luburovic] Is it possible to solve that problem without military action in the hinterlands of Zadar and Sibenik?

[Vekic] Of course it cannot be solved any other way than by military action. Look, three years have passed now since part of Croatia was cut off from its metropolis and focal point. That is why we maintain that Croatian military power should have found ways to solve this problem a long time ago.

[Luburovic] You do not accept that the international community was pulling the strings in this?

[Vekic] The best example is Serb aggression. You see that nothing happens to Serbia, despite the threats of the international community. With the sanctions, it is true, life is a little worse, but they nevertheless achieve their territorial and national goals. And since the Petrinja "assembly," we now have a de facto Serbia abutting the Slovene border.

[Luburovic] Since we are talking about international politics, tell us how the League views events in Hercegovina?

[Vekic] The Croats in Bosnia have played the card of legitimism, which is their inclination anyway. Legitimism is a response to the Byzantine way of engaging in politics. The League said early on that Bosnia-Herzegovina, as an independent state, should be supported by the Republic of Croatia, at least in that regard. And we said that in order that what is happening to us today would not happen to us: We have lost Travnik, Mostar is next, and tomorrow even Ljubiski could go. We were opposed to moving the center of Croat power and politics in Bosnia-Herzegovina to Grude, instead of Travnik.

[Luburovic] Is this criticism of Mate Boban?

[Vekic] Absolutely. But that is also criticism of Zagreb, which created its own stance on Bosnia-Herzegovina through the HDZ.

[Luburovic] What is your interpretation of the fact that Croats are now fleeing from Muslims, and going over to the Serbs, and that Serbian television even has statements from the local HVO [Croatian Defense Council] commanders in its reports from Travnik?

[Vekic] That cannot be interpreted in any other way than as high treason. No matter what, there must be constancy in policy. That means that if we have an enemy, then we must fight him; if we have two, then we must fight both of them. I do not see any way that we could be making a good choice by leaning toward the Serbs and not the Muslims. The fact that Serbian television was recently in Travnik is just another Byzantine trick, because now they are supposedly protecting their sworn enemies from harm. And they have declared us their sworn enemies. Let us be clear here: The minute that it was seen that there would be clashes between Muslims and Croats, the Croats and Muslims should have delegitimized the persons who were leading them into that conflict. However, they are not the creators of that policy, just the mere executors of some other policy.

[Luburovic] You used to be in the top leadership of the HDZ. At that time, did you raise your voice against the policy that was being pursued with regard to Croats in Bosnia-Herzegovina?

[Vekic] That was never discussed when I was at meetings at headquarters. I cannot rule out the possibility that it was discussed when I was not there.

[Luburovic] Do you mean that those decisions were made without the party's approval?

[Vekic] I only think that they were not made in the way that they should have been made.

[Luburovic] Do you think that Croatia right now has the military strength to oppose Serbian aggression?

[Vekic] If it does not, then that is sad. If that is true, then the people responsible for this should be shot. This gets back to the responsibility of those who for these three years should have prepared the Croat nation to resist not only the Serbs, but also an adversary that is 10 times stronger.

[Luburovic] Do you think that the "Spegelj plan" could have been successfully carried out in the first days of Serb aggression?

[Vekic] I do not like to tell people anything categorically about which I do not have enough data. We will never know whether that plan would have succeeded, because no one even attempted to implement it. Some people, because of their own needs or their own image, are hushing up the fact that this was one of the decisions that was made completely democratically in the Supreme State Council. The president asked each person separately what he thought about that plan. At the time, everyone thought that we were not in a situation to accept this Spegelj plan, because it was based on the territorial defense structure and on the principle that

everything on paper could be effective and deployed. But I believe that that would not be possible. What is on paper is one thing, while what happens in the field is another. But just so we understand one another, Spegelj is not an improviser, his plan was based on Spegelj's expertise and experience. At the time, however, his plan was extremely risky. I am sorry that I did not share Martin Spegelj's opinion at the time, because if we had implemented his plan and it had succeeded, then we in Croatia would be done with our job.

[Luburovic] What do you think of the Vance-Owen plan for Bosnia-Herzegovina?

[Vekic] That plan does not stand a chance in the field for a single minute.

[Luburovic] What is your interpretation of the fact that the Bosnia-Herzegovina Government has become a de facto Muslim government?

[Vekic] Are the Muslims alone to blame for that?

[Luburovic] What is your interpretation of the fact that Croatia continuously heeds world demands not to intervene in the fighting in Bosnia-Herzegovina?

[Vekic] Croatia has heeded that demand thus far. But what have we gotten from that? We have gotten nothing, so it is time to stop that. Now we must choose a different way, and that means protecting Croatian interests with all means available.

[Luburovic] In other words, you are now in favor of abandoning legitimism, the tradition of Croatian policy?

[Vekic] It appears to be an abandonment of legitimism, but I would emphasize that it is legitimate to protect one's own interests, and Bosnia-Herzegovina is a legitimate interest of Croatia.

[Luburovic] How would you assess President Tudjman's three years of work?

[Vekic] I am not inclined to overestimate the role of individuals in the history of a nation. Right now, it is impossible to say whether we would have been better off with someone else in power instead of "this damned Franjo Tudjman." This is overestimating the role of an individual. The League does not go in for that. Let us be frank: Does anyone think that the situation might have been better under presidential candidate Budisa or Degen? I do not believe so.

[Luburovic] Thus, you are affirming that the president has not acted against the interests of the Croatian nation, as some contend?

[Vekic] With regard to whether Dr. Tudjman has acted against the interests of the Croatian nation, I say categorically that he has not. I do not believe that anyone has any basis for accusing Dr. Tudjman of acting against the interests of the Croatian nation. I am glad that I lack arguments to back up such an assertion.



[Luburovic] Some people have accused Paraga of high treason.

[Vekic] This is completely wrong. One must look at whether Paraga has acted as a rightist leader, or rather—and I cannot shake the impression that this is incorrect—he has acted as a embittered individual because of the legal proceedings against him. The damage from that behavior has been overestimated.

[Luburovic] Are you an optimist or a pessimist in terms of Croatia's future?

[Vekic] Political pessimism is characteristic of conservatives. But that means that one must always be prepared for the worst. Because of this political pessimism, conservatives are much more mobile than liberals in terms of protecting collective interests. If fascism surges in Serbia, if Seselj advances, if the Serbs across the river intend to unite through a referendum decision, and I have no doubt that 150 percent of the Serbs will be in favor of that unification, then Croatia must resist that situation simply by activating its radical forces. By opposing Serb aggression with liberal resolutions, with the desire for coexistence, with the international community and the hope of finding an important negotiating partner in the Serb corpus, Croatia is losing time.

[Luburovic] Does that mean that you are for total war?

[Vekic] I advocate the radical resolution of the Serb question in Croatia, and that is with the use of force. War must also be waged against Serbia, because it is clear that that state is behind the Serb aggression in both Croatia and Bosnia-Herzegovina. For now, the use of force would stop at the borders of Croatia recognized by the international community. But in Bosnia-Herzegovina I think that it is still not too late to achieve an agreement with the Muslims.

#### **Phone of Zupanijas President Bugged**

93BA1151A Zagreb DANAS in Serbo-Croatian  
11 Jun 93 pp 5-7

[Article by Marko Barisic: "Who Is Wiretapping Manolic"]

[Text] Whoever has information has power as well. Did someone try to get information through Manolic's special red telephone?

When it happened the first time, Josip Manolic thought that it was a technical defect. After it happened twice more, always at regular intervals, on the same day of the week, it became clear to him that this could not be a coincidence, that this was a much more serious matter. Regularly, on two days of the week, someone was blocking Manolic's telephone. And it was his special phone too, with which he could establish a direct link with anyone he wanted, on any continent. Normally, there was no interference on that red telephone, nor could calls be interrupted.

Manolic, an experienced agent for all sorts of police services, trained back in the former regime, did not allow this to upset him, even though he knew what it might mean. If someone can block the telephone of a high-ranking state official, that means that they can also bug the phone and use information obtained in this way for blackmail or business, that they can threaten the national security. If that can be done to him, then the danger exists that other state officials are also inadvertently revealing political, economic, or even military secrets in phone conversations. Besides all this, the privacy of state officials is disturbed, so that in the hands of some not always friendly state this could become a means of political blackmail. Indeed, such methods are not unheard-of in this war either.

#### **No Answer for Now**

The results of an investigation will show exactly what has happened with Manolic's phone. Manolic expects an answer from the Ministry of Communication. For now, he has heard nothing, which is not necessarily surprising, since the ministries have remained sluggish mechanisms that function only when prompted from above.

Since Manolic is no longer the head of the Service for the Protection of Constitutional Order (SZUP), but only the chairman of the Assembly House of Zupanijas, it appears that his request has lost significance and has probably ended up in a stack of papers collecting dust.

"Information is power. Whoever possesses information and whoever has access to it before others do can prevail over them. But this Croatian state of ours still does not understand the importance of telecommunications. The previous one knew this quite well," says the man who with others participated in the famous campaign on 21 September 1991 that preceded the capture of the JNA [Yugoslav People's Army] barracks in Zagreb and the vicinity. At that time, secret preparations were made for the campaign, carried out under the code name "Interruption," which was in fact a telecommunication strike against all military installations and military housing districts. In only 60 minutes, both the regular and the parallel (military) communication systems of the former JNA were cut off, leaving all military installations without outside links.

Only then did the armed capture of the barracks begin. This campaign was carried out by a group of workers from the former PTT [Post, Telegraph, and Telephone] (now HPT [Croatian Post and Telephone]). Although even then the majority of PTT employees were Croats, the group that carried out the campaign had to act illegally because UDBA [State Security Administration] and KOS [Counterintelligence Service] agents had infiltrated all important areas of the PTT and maintained control over the entire telephone network, especially keeping an eye on wiretapping and the installation of bugging devices.

One unmarked copy of each telephone project that was done was received by the State Security Service if any

trench was being dug or if a network was being established anywhere in the country, and in addition to the regular cables, additional ones were laid, about which the documentation was filed under the designation "strictly confidential." This only indicates the diligence with which the former state concerned itself with controlling information.

Using this information, it controlled people, an entire nation. Bugging telephones was the cheapest and most efficient way to exercise this control. If that was not enough, a bug could be planted that would record conversation in an entire apartment all day long; bugs could even be planted beneath mortar, in a garden, or on feeder cable. This entire organization was not expensive for the former state, because it recognized the importance of telecommunication. There were also many Croats working for it who are now working for HPT or SIS [Security Information Service].

#### Curious or Informers

Thus, someone—a curious person or an informer—at an exchange could "sit" at the telephone and listen to any citizen's phone conversation. However, the majority of people should not be worried about this, because they live politically uninteresting lives, and because the eavesdroppers must carefully choose their targets in order not to waste too much time. And they did choose their targets under the former regime. Most of the wiretapping was done with persons who were a danger to the future of the regime.

"There are no special departments for wiretapping at postal centers. There are strict records on those being listened in on. Official wiretapping can be ordered only by the minister of internal affairs," our PTT source says. This latter point was confirmed by Josip Manolic as well. The work of the minister and of the service that deals with this is controlled by the Assembly committee headed by Djuro Perica. But more interesting than the number of people wiretapped—which no one at the Ministry of Internal Affairs [MUP] could tell us, not even the former fellow journalist and current MUP spokesman Mladen Lackovic (and the minister was on a trip)—is the fact that it is very difficult to establish complete control over the possibility of wiretapping.

Those whom we called at HPT had very little to say about this, but when asked whether state security agents from the former system were part of their structures, we heard on the other end a hush, and then a long silence. "I am almost certain that there is a parallel group for wiretapping at work now at HPT. The former personnel stayed behind, and they worked for the service of the former state, which is still strong. They are doing that now under private or group direction, and their motive is information that they can use for blackmail, that they can sell, or perhaps they are working for the interest of some foreign state," said our PTT source, who is certainly well-acquainted with the situation at that public enterprise. When asked what the best way is to protect

the state from such activity, the PTT source said, "The possibility of abuse is ruled out only if there are reliable people working there, and in that case national security is not in danger."

#### Penetrated Campaigns

Through this story, we arrived at troubling information. Every Croatian military campaign, from Plitvice to Maslenica, has been "penetrated." The enemy has known information not only about the movement of columns but also about the quantity of materiel and personnel. They have not known the plans because they are sent by courier. Part of the military telecommunication system is not yet complete, so that some military reports are transmitted, conditionally speaking, through the civilian network, meaning through the HPT exchange. But the opportunities for listening in are great: It is possible to "hook up" from the bugging device to the telephone exchange, and even at any place along the cable.

Indeed, the location is not that important. Perhaps Manolic is being listened in on by someone at HPT under orders from state services, perhaps it is some individual working for a foreign service, and one cannot rule out the possibility that it is someone from an HDZ [Croatian Democratic Community] faction opposed to him. Through his service, Manolic has acquired many people who are certainly not amicably disposed toward him. Indeed, our PTT source asserts, even President Tudjman could be bugged in this same way. However, the president generally speaks on separate lines.

Manolic's "red phone" was loaned to the government by VJESNIK headquarters. It is connected to the Assembly, and somewhere along the line it can be accessed, and conversation can be recorded or blocked. Few people know that for many years VJESNIK had direct radio relay communication not only with the Assembly, but also with Belgrade. And even fewer people know that in the years preceding the fall of the second Yugoslavia, every "dubious" report that was to be published in VJESNIK or VECERNJI LIST was sent by VJESNIK to Belgrade for approval. This indicates the extent to which the VJESNIK house was of interest to the former state as a place where masses of information collected. And when VJESNIK is compared to the enormous HPT, it comes as no surprise whatsoever that the long fingers of control by the former state apparatus extended to it.

#### Corruption and Security

It is probably because of this importance that corruption, and even crime, was long tolerated among PTT officials. This was primarily based on a commission for the procurement of material and equipment which, despite economic practices, was mostly acquired abroad, even though adequate and even higher-quality material exists locally. The second way in which the "managers" were corrupted was the payment of a commission for the awarding of work to contractors. The entire system

flourished and formed only one unit in the pyramid of corruption that extended to the very summit of state authority. Employees allege that things today are just as they were. Not one attempt to bring down this pyramid has succeeded thus far. Because wages, as in all other enterprises, are relatively low, and such deals are a source of survival. But HPT is not an exception in this regard, but rather a continuation of the game in the latest variant of the Croatian economic model. A new society is being created, and in it a new class as well.

But employees say that this is not actually a new class. It is the old class, from the old system. They enumerate: General director Mato Perak has no real power. His deputy is Mladen Sutalo, the actual chief, and then comes Ante Suknaic, Vlado Greguric, Vlasta Zuric.... The worst thing that HPT is doing is taking money from those who want a telephone, but not specifying a date by which they will get it. This type of loan is reminiscent of financial engineering. Big systems collapse slowly. But when their wheels are moving downhill, years and years are needed to return to the necessary level. The level for a modern Croatia.

But not everything is that bleak at HPT. If someone threatens you by phone or addresses you in a "sweet" tone without concealing their ultimate intentions, it is completely legal, with the help of the police, to attach a device that will trace the number of the party at the other end of the line. But if you want something similar in order to, say, listen in on your wife while you are on a business trip, you can also do that, but without police assistance. Provided that you are on good terms with someone who works for the services about which we have written here.

Manolic had no one.

### **HDZ Blamed for Economic Crisis**

93BA1143E Belgrade *EKONOMSKA POLITIKA* in Serbo-Croatian 7 Jun 93 pp 21, 36

[Interview with Dr. Branko Horvat, professor at the School of Economics at Zagreb University, by Zmago Herman in Zagreb; date not given: "Economic Integration as the First Step"]

[Text] We talked to Dr. Branko Horvat, professor at the School of Economics at Zagreb University and until a few years ago director of the Institute for Economic Science in Belgrade, in the pleasant atmosphere of a small garden in Zagreb. In the fall, this esteemed economist is going to teach at the University of California in Berkeley.

[Herman] First of all, what is your assessment of the condition of the economy, the standard of living, and the social situation in Croatia?

[Horvat] If we compare the situation inherited from the last years of the old regime with what has been happening in present Croatia, we can say that the rule of the

HDZ [Croatian Democratic Union] has had disastrous consequences for the Croatian economy. There is no reason whatsoever to believe that the year 1993 will be better and different in that regard.

Real wages and salaries have dropped one-third during those three years from what individuals received before the HDZ came to power. Average wages and salaries are about 100 German marks [DM] a month (the method of computation used makes them that high, but actually the reduction has been still greater). Inflation, which the monetary reform reduced in 1990, has begun to grow very rapidly, so that now it is passing over into hyperinflation. More than 100,000 workers are left without work. Unemployment will be still greater when soldiers come home from the front, and in his budget message the prime minister threatened new layoffs. Industrial production has been cut in half, and the same is true of social services. Less than half of production capacity is being utilized, and some plants have been destroyed by war or have been left in the occupied area and should not be taken into account. However, in other countries which have been at war there has been full employment and production capacities are fully utilized; it has been easy to generate a great deal of demagogic talk that workers are being laid off only to raise labor productivity, when over the three years it has dropped 21 percent. Finally, the domestic market is reduced to one-fourth, so that this had to be made up with increased exports. But exports, to the contrary, have dropped off one-fourth.

The domestic and foreign markets, reduced to a fraction of what they were, are no longer able to absorb the goods produced by the existing capacities, so that factories are shutting down and the workers are being laid off. The impoverished citizens are reducing the aggregate demand still more, and thus the spiral shrinking of the market leads to a charmed circle of ever greater misery. Net investments are negative, which means that there will be no development in the future either.

According to the ranking of credit risks by the International Bank and the IMF, Croatia is today in 100th place in the world. Russia, Ukraine, Bolivia, and Vietnam are ahead of it, and Serbia and Ethiopia are just slightly behind. Since this ranking has been published, it is obvious that practically no one is going to invest in Croatia and so there can be no talk about "fresh money." In addition, the irresponsible new jobs policy (which has come down to firing, often by ethnic criteria and retirement) has created an untenable situation in which about 1.2 million employed people are supporting about 800,000 pensioners and 267,000 unemployed, as well as an army of about 140,000 men. I must mention that these are estimates and slight fluctuations are possible, because accurate figures do not exist or have not been published. What is more, there are also 700,000 refugees, for whom some foreign aid is indeed received, but their ability to work is not being utilized at all, so that they are becoming one of the sources of crime and social rebellion.

Economic Indexes				
	1989	1990	1991	1992
Real wages and salaries(index)	100.0	100.1	72.9	33.9 <sup>1</sup>
Monthly inflation (cost-of-living index)	31.6	7.1	10.7	21.4
Unemployment in thousands as of 31 December	148.0	195.0	284.0	262.0
Industrial output (index)	100.0	88.7	63.4	52.9 <sup>1</sup>
Social services (index)	100.0	91.5	65.2	49.5
Labor productivity in industry (index)	100.0	92.8	80.6	79.4 <sup>1</sup>
Exports (index)	100.0	103.7	84.9	76.6 <sup>1</sup>

<sup>1</sup>For the first 11 months.

Source: Statistical Yearbook of Croatia. Monthly statistical report. Economic Trends and Economic Policy No 16.

Since the beginning of 1992, money for government services has dropped by half, which means that a strong deflationary policy has been conducted and that probably the limit has been reached, because debts in the economy at the end of October 1992 represented 65 percent of the economy's money resources. From the end of 1989 to the end of 1992, bank liquidity dropped to one-third, and the rate of circulation of money in late 1992 was almost twice as high as the average for 1991, which is typical of inflation. It follows that the deflationary monetary policy cannot reduce inflation and that its roots lie outside the monetary sphere. But prices may increase with the inflationary policy, just as has resulted from the immense printing of money inspired by the Christmas holidays and elections in the first two months of this year.

At the same time, earnings in Croatia on the average represent one-sixth or one-seventh of the average earnings in Slovenia. And Slovenia is no picture of economic prosperity either. It has big problems, but still it seems like some kind of perfect society compared to what is happening in Croatia. We need only cite one datum—the HDZ is now in its third year of holding office, and to this day it has not drawn up a single economic program. So, that government does not give the economy any kind of priority; more precisely, it is not concerned about economics, so that it is why these things are happening.

A year ago, when the national currency was issued, we had a ratio of 1:1 between the Slovenian tolar and the Croatian dinar, but today it is 1:17. Our monthly inflation rate is 30 percent, while in Slovenia it is 2 percent. Of course, 2 percent per month is a high rate of inflation, because 2 percent a year would be normal. Nevertheless, 2 percent a month is an exceptional result when compared to 30 percent per month.

[Herman] What can we do, a wall toward Europe or normal economic integration? Both options exist.

[Horvat] The European Community has a vital interest in keeping the Balkans from being a zone of instability, because, having been taught by World War I and World War II, they know that there cannot be instability in the Balkans without it at some point being carried further. At this point, the case of Russia is obvious. Certain states there have the atomic bomb, and they are not exactly getting along well with one another. And if some extremist group took as its model what is happening in the Balkans, all of Russia could be ignited. Or look at Greece and Turkey. Greece is a member of the EC, but Turkey is not. Even after 20 years, the issue of Cyprus has still not been resolved. They are constantly quarreling, and from time to time they even have conflicts. Because of all that it is greatly in their interest to straighten out things here and to create a zone of stability. For them, that zone was Tito's Yugoslavia, because he really knew how to create a firm and stable state that serves as a model. Tito disappeared, so did the Partisans who created that Yugoslavia, and what we used to have in this region has come back, which are those ethnic antagonisms. That is why West Europe will quite certainly always favor those forces which are able to prevent conflicts between Balkan nationalisms. And not only in the former Yugoslavia, but more broadly as well.

That is one of the reasons why they need stabilization in this region, but the second one is economic. Today, by contrast with the imperialist times of 100 years ago, trade is conducted differently. Trade is not done with a colony where one sends an army, and then extracts excess profits. So, it is in their interest to have strong trading partners. Up to now, Europe has been working this out by sending or buying goods, for example, from east Asia. It would be much more convenient to buy them in the Balkans. If you link up that political and economic interest, then there is no doubt whatsoever that Europe is interested in integration.

[Herman] Do you have the impression, in spite of the blockade, that the possibility exists for cooperation between the former republics of the SFRY?

[Horvat] When it comes to politics, I think it does not exist at the level of the government, because they are such chauvinists that they cannot stand one another. But at the level of the opposition it does exist. As far as the economy is concerned, there was some smuggling done until the sanctions were stepped up. Now, there is not even that anymore.

[Herman] Not so long ago the SFRY was very close to being accepted into the EC, but today?

[Horvat] The SFRY was not far from entering the EC, when Greece was accepted, because it was at the level of Yugoslavia. The fact that Yugoslavia was not received should be associated with the resistance in Belgrade; those forces which had an isolationist impact and looked



on Yugoslavia as the leader of the Third World and did not adapt to the fact that the cold war had ceased and that new allies should be sought were still strong at that time.

[Herman] And in spite of everything should they have joined the EC?

[Horvat] Now, the principal precondition for entering Europe is radical democratization of the political regime, because as soon as real democratization comes about, that is, above all, real protection of the human rights of every individual, then the war will cease. War is possible only so long as you are able to indoctrinate terrorist leaders. Today, people are not secure, they are afraid of every trifle. But when a citizen feels secure within himself, he will begin to make his own decisions, and that, of course, will not be a decision in favor of war, but against war. That is essential. It might be said that when democratization is carried out, then the main step is economic integration.

Croatia with its territory in the shape of a horseshoe could survive only as a tourist country, and that means a country of waiters and farmers, not a modern European country. And that means something like a Caribbean country. If Croatia should want to survive and develop as a European state, then it needs minimum economic integration with Bosnia and Slovenia, which were one region for at least 100 years. If it aspires not only to survive, but to begin to overtake the richest European countries, then it must undertake much larger integration and a large market must be created without any kind of customs duties and monetary restriction.

[Herman] How do you evaluate the process of transformation of ownership?

[Horvat] This has been set up completely topsy-turvy. This is more an issue for psychiatrists and sociologists than for an economist, because they know that in a modern economy, by contrast with the economy of the 19th century, the form of ownership is utterly irrelevant. People go to the market, and the one who survives is the one who is well-organized, so that is actually the sequence of actions that should be taken, and the ownership transformation should be derived from that, not for us first to push transformation of ownership and then to assert that this is going to function well. It will not. What is more, economic history over the last 100 years shows that a complete separation of ownership from management in the large corporations has occurred. After all, they are the ones that carry a country's economy. Thus, 500 firms in the United States account for two-thirds of the American economy. Ownership is not even very essential in the case of such corporations, because, for example, a corporation like General Motors has more stockholders than Croatia has inhabitants, and now, what kind of owners are they anyway when all the decisions are made by the board of directors? The place to start was to create the conditions for complete independence of every business firm and to eliminate

monopolies and other defects of the market in order to facilitate real competition among those who have the best organization. However, they went about it completely the opposite way—private ownership was proclaimed as the only and best way, and now like monkeys we are trying to copy private ownership in the West, and this is resulting in impossible situations. In Croatia, immediate advantage has been taken of this for personal enrichment and corruption. Those are not deviations, they are a horror. For example, in one round-table discussion we heard how places on boards of directors are arranged. Thus, one person has established a record by being a member of 17 boards of directors. At the same time, the president of our Croatian Assembly is a member of one or more boards of directors, but nowhere in Europe can a government official be related to any business firm.

### **National Bank of Croatia Governor Interviewed**

93BA1169A Zagreb VJESNIK in Serbo-Croatian  
21-22 Jun 93 p 10

[Interview with Dr. Pero Jurkovic, governor of the National Bank of Croatia, by Vesna Antonic; place and date not given: "It Is a Wonder We Are Not in Hyperinflation"]

[Text] Inflation, devaluation, convertibility, foreign loans, and foreign exchange are only some of the issues being debated not only in places of authority, but they are also the topic ordinary citizens are arguing about in streetcars, at work, over coffee.... And one of the people who can give real answers to such questions without instilling false hopes is certainly Dr. Pero Jurkovic, governor of the NBH [National Bank of Croatia].

[Antonic] The steady rise of inflation has been a sore point for a long time now. Can we nevertheless say that it is under control?

[Jurkovic] You are right, inflation is one of the most painful points of our economy. Over the last three months, measured in retail prices, it has ranged at a level of 25.6 percent per month, while in the first five months of this year it averaged somewhat higher and amounted to 26.7 percent monthly. It should be said that inflation was still higher in the last quarter of last year, even higher than 30 percent monthly. This means that we are feeling a trend of its slow decline, but it is still too high for us to be satisfied with it. It should be emphasized that the actual trend of inflation is not in keeping with the goals of the formidable stabilization program adopted toward the end of last year. However, to whatever extent it might seem like I am seeking an alibi for the monetary policy that is my responsibility, we should be aware of the fact that we are still at war, and in view of all the troubles that plague us it is really a wonder we did not break through that notorious barrier of 50 percent at the monthly level, which is hyperinflation. Especially because in the recent past the country has been pressured not only by the burden of war and the consequences of



war, but also a number of extraordinary circumstances, and here I am referring to the virtual blockade of Croatia, and a semiembargo which has been implemented by the EC and our other most important economic partners.

The examples of many countries not exposed to nearly such troubles indicate that it really is a question of a rise of inflation that is still relatively controlled. Here, I am referring above all to the East European countries, not to mention Serbia with which we would not like to compare ourselves in any respect, where the monthly inflation rate exceeds 100 percent.

### Galloping Wages

Our dissatisfaction with that level of inflation lies in the fact that even at that level it has been having a devastating and chaotic effect on all developments in the economy, but has been having a particularly adverse effect on the invigoration of investment activity, financing with domestic and foreign capital, as the basis for invigorating the country's overall economic activity. This kind of inflation has been giving support to other elements of economic chaos, for example, smuggling, tax evasion, a roaring gray economy, and other forms of irregular behavior in the economy. Inflation has also, and that by definition, been accomplishing a corresponding redistribution of income, always to the detriment of the poorest strata of the population.

[Antonic] What are the causes of inflation, and how is it to be combated?

[Jurkovic] Put most simply, the causes of inflation lie in the forcible alteration of relations in distribution of the available national income either to the advantage of public or personal consumption on the one hand, and on the other in the persistent "soft budget restriction," which is another name for lack of financial discipline in the broadest sense of the word. To be still more precise, the causes of inflation are above all deficits in the public sector, financing done directly or indirectly from note issue, and also uncovered losses of the so-called "big losers," which in the last analysis have been covered in the same way.

Recently, the pressure on inflation has also been increasing personal incomes considerably faster than the rise of labor productivity. In April alone, it amounted to nominally more than 46 percent. To be sure, salaries are low, but if they are not to have an inflationary effect, they must be covered with corresponding income or, put more simply, they have to be earned. Accordingly, combating inflation means bringing all forms of expenditure into the available limits and strict respect for financial discipline, that is—you can only spend the amount of financial resources you actually possess. Suppressing it is, of course, all the more difficult when that process is taking place at a lower level of per capita income, because at that low level the strong competition of needs encourages forcible redistribution of income.

### Holding Back the Money Supply

[Antonic] To what extent has monetary policy contributed to the flaring up of inflation?

[Jurkovic] Monetary policy has never been, nor can it be, innocent when it comes to inflation, because it simply cannot be digested without an adequate supply of money. The question, however, is whether inflation is generated by monetary policy in the first place or monetary policy simply adapts to it? Comparative figures on the growth of the money supply and retail prices in the first five months of this year, and the situation was practically the same throughout all of last year, indicates that it has been a case of the latter. That is, the average rise of prices in the first five months of this year was almost twice that of the money supply, which confirms the observation I made. If monetary policy had by some chance not done something to hold back the supply of money, given the powerful generators of inflation, especially the public enterprises and "big losers," it certainly would have been far greater. I am not certain that in that case we would not have been in hyperinflation.

So far this year we in the NBH have been trying to strictly stick to our monetary projection. We have also taken a number of qualitative steps in conducting it, such as the partial abandonment of selective credit financing, the favoring of quality loans, and the like. The credits granted to the commercial banks from primary note issue in the first half of the year will most probably remain within the limits of the planned projection. But what we have been unable to control entirely is primary note issue on the basis of foreign exchange transactions. The supply of foreign exchange for the NBH to buy up so far this year has really been beyond expectations. In part, it arose from the need of the commercial banks to maintain their liquidity even when they could not collect on their loans and in part from the need of the general public to use even the last reserves to maintain some kind of standard of living. It is no wonder, then, that the country's total foreign exchange reserves in the course of this year have grown by all of \$336 million, of which about \$176 million are in the NBH and about \$160 million in commercial banks. In any case, the country's total reserves at this time range at a level higher than \$1 billion. Certainly this growth of foreign exchange reserves is not only the result of these factors, but also of restraint in monetary policy and especially the size of the country's exports, which themselves indicate the vitality of the Croatian economy to adapt to the new and much more difficult business conditions.

[Antonic] Some forecasts say that inflation could exceed a monthly rate of 50 percent in the course of the summer.

[Jurkovic] I believe and I am sure that those forecasts will not be borne out. But theoretically that could happen if the necessary measures are not taken in a synchronized fashion in all segments of macroeconomic policy—monetary policy, fiscal policy, and income policy. I hope that all factors in the government are

aware of what that kind of inflation would mean to the country, that is, what kind of grave consequences it would have.

As for us in the NBH, we are most disturbed by possible monetary blows that could occur as a consequence of our effort to buy the entire anticipated inflow of foreign exchange or to monetize the uncontrolled growth of income. The true measure to neutralize the first effect should be sought in keeping the formation of foreign exchange reserves from being a one-way street, i.e., in preventing a situation on a transparent foreign exchange market where the NBH figures only as a purchaser, but not also as a seller of foreign exchange. Unfortunately, because of the low level of economic activity, the demand for foreign exchange is negligible, but there are a number of ways of augmenting it. And there is no question that we will operate in that direction. But it should be said that our behavior alone will not be sufficient. It must also be assisted with other measures of economic policy. As far as monetization of the unplanned growth of personal incomes is concerned, we hope that an agreement between the government and trade unions will find a formula to prevent that from happening, because a mere nominal growth of income would be a pure illusion, and in fact a deception that would hurt most seriously precisely those with the lowest incomes.

#### **There Is No Reason for a Devaluation**

[Antonic] There is a great deal of debate about whether the present dinar is overvalued or has a real exchange rate. There is also speculation that it will be devalued soon. But at the same time we have been hearing that it is also convertible. What is really the truth?

[Jurkovic] Measured in the so-called parity of purchasing power of the Croatian dinar [HRD] and the currencies of other relevant partners in the world, the present level of the exchange rate is close to the equilibrium. There are only a few percentage points of lag on the side of overvaluation of the dinar. Accordingly, there is no reason whatsoever for a devaluation of the dinar, nor will it occur. I am referring, of course, to an instantaneous devaluation. It should be emphasized that it would be very dangerous to adopt a policy of an overvalued dinar that would discourage exports, because the level of economic activity in the country is very largely dependent on them. As for convertibility of the dinar and introduction of a new currency, I can say that convertibility has largely been achieved already. Every economic entity, natural or juridical person, engaged in entrepreneurial activity can buy foreign exchange even today without any problems at all. It should be mentioned that we are also thinking about further liberalization of the foreign exchange system in the sense of allowing foreign exchange accounts to be opened by domestic entities, internal foreign exchange credit financing, and even the sale of foreign exchange to the public. How successful we will be in that liberalization

depends most of all on the constraints of monetary policy and on its consistency with the other components of economic policy.

The introduction of the new currency will be accomplished at that moment when the urgently necessary prerequisites for stabilization of its value come about. After all, the mere introduction of a new currency when the level of economic stability is unsatisfactory would compromise it even before it actually took on life. And in no case do we want that, nor do we need it.

[Antonic] You said earlier how large our foreign exchange reserves are, but what do they actually give us?

[Jurkovic] I have already said that Croatian foreign exchange reserves, especially in view of the circumstances under which they were built up, are fairly significant, although they are still not sufficient for the volume of investment and economic activity and imports we would like. It is important to say that we built up those reserves under very unfavorable conditions, with a surplus in the so-called account of current transactions in the balance of payments. But in view of the overall pattern of international financial flows and Croatia's position in that connection, there was no other choice. I am certain of one thing: As NBH governor, I feel much more comfortable than if they did not exist. With that kind of level of foreign exchange reserves, the credibility of our banks has unambiguously been increased, the level of their dependence on the world has been significantly reduced, and the prerequisites have been brought about for us to undertake a stabilization program more radically. For those who know the nature of the economic process, these are in no case insignificant things. But the rate at which we build up foreign exchange reserves will depend on a number of factors and especially the possible adverse monetary effects of that kind of growth. I would nevertheless like to say that it is the desire of us in the NBH to buy the entire anticipated inflow of foreign exchange from tourism, as well as that foreign exchange which signifies a further encouragement of exports and a rise in the level of economic activity in the country.

[Box, p 10]

#### **Frozen Foreign Credits**

"Unfortunately, I must say that because of certain purely political reasons there has been a postponement of use of credits from the World Bank and European Bank already agreed to. They have been postponed for a certain time, or, as it is said, put on ice, and when they will thaw it is difficult to say at this point. We nevertheless hope that this will not last long, because most of the reasons given for that kind of behavior really have no basis. We therefore hope that the world will ultimately understand this at some point. But we must nevertheless devise scenarios for all possible situations. As for inflows of financial resources from outside, for the moment we are using foreign exchange lines of Hermes, ERG, Sach, and

Kontrolbank. Quite recently, our consortium of banks has concluded contracts for the use of two credits intended for financing deliveries of two ships to Sweden, one is a Swiss credit and the other Swedish."

**Difficulties With Ljubljanska Banka [Bank of Ljubljana]**

"As for Ljubljanska Banka, that is really one of the greatest troubles in our relations with Slovenia. The claims of our citizens based on savings deposits in that bank, as well as on the basis of those deposits transferred to our banks and converted to the public debt of the Republic of Croatia, are indisputable and relatively large. They amount to more than 500 million German marks [DM]. Because we have been unable to arrive at an appropriate solution of that issue, we have cut back the business operation of Ljubljanska Banka to the least

possible measure. The NBH Board of Governors has even adopted a decision to close that bank at the end of May unless an appropriate agreement is reached before that date with the Republic of Slovenia. That was not done, because negotiations with Slovenia concerning the entire set of open issues, including this one, are still going on.

"The impression I have from the talks to date is that there are certain signs that the Slovenian side is showing greater understanding for that problem. In any case, we will have to protect our own interests and the interests of our public by trying to reach an agreement that would satisfy both sides and would not be a stumbling block, but an element of stimulation for still broader and more effective cooperation. Nevertheless, it should be said that we will not be able to tolerate dragging out those agreements indefinitely."

### \* Talks With Sudeten Germans Face Obstacles

93CH0723A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 17 Jun 93 p 3

[Article by Berthold Kohler: "RUDE PRAVO Is Making a Living From the Specter of Revanchism"]

[Text] The Sudeten Germans have returned to Bohemia—at least in the headlines of the Czech mass media. It is nothing completely new for the Czechs to be pursuing the annual convention of the expellees with the same kind of attention they would devote to the simultaneous occurrence of a World Cup soccer championship and a world economics summit, if these events were to occur each year in Bavaria at Whitsuntide. However, the fact that the "Sudeten German question" is this time staying so stubbornly in the Prague newspaper columns has to do with some clumsiness on the part of the Czech Ministry of Foreign Affairs. The demands from Bavaria for a dialogue and for domiciliary rights, which the Czechs had perceived to be "militant," had barely faded when the ministry announced the intention of the Prague government coalition (an intention which had obviously been entertained for some time) to activate a working group at a low level. Together with Sudeten German representatives, this group is actually intended to only clarify the (contradictory) positions. However, the population assumed something quite different in view of the coincidence of the timing: Namely, that its own government faltered in its positions as soon as the Sudeten German Refugee Association (Landsmannschaft) and its protector, the state government of Bavaria, exerted any real pressure.

The worries, which border on hysteria, with which many Czechs and not a few opinion molders regard any form of rapprochement between their own government and the representatives of the Sudeten Germans, have many causes. They include the four decades of communist propaganda-inflamed fear that the more than 3 million expelled German Bohemians could, in a revengeful crusade, return to their former homeland and could, for their part, expel those Czechs which have, in the meantime, settled there. Harsh demands and intransigent utterances by individual expellees, who have frequently been embittered as a result of personal suffering, do not contribute to making this old wives' tale fade away.

At least as stubborn as the specter of revanchism is the conviction among the population that the expulsion of the former fellow citizens had not been an injustice at all—with the exception of a few excesses perhaps which would have to be viewed in the light of the suffering inflicted by the Nazis. The conviction that the Sudeten Germans had, by their "treason," by their defection to Hitler, laid the groundwork themselves for their subsequent expulsion from Bohemia and Moravia reaches all the way into Czech poet and dissident circles, as was shown on the occasion of a Czech-Slovak writers' convention held at Scheinfeld. The broad population has little understanding for the deeply wounded sense of

justice on the part of many Sudeten Germans who had nothing to do with the Nazis. The standard argument repertoire of those with little education includes foisting the responsibility for the "deportation" upon the resolutions of the allies at Potsdam and washing their own hands in all innocence.

Another thing being promoted is the disinclination toward talks or even agreements involving the Sudeten Germans as a result of the fear of "Germanization" of the very small, because it is only Czech, nation at the hands of the very large neighbor, which is now united, a fear which dates back to Josephine's time [the Hapsburg empire]. A certain role is played by the feeling of inferiority with respect to the Germans who, in the Czech world view, are better off, having lost two world wars, than many a former victor. The fact that this Germany also plays a substantial role in that Europe to which the Czechs so decisively wish to "return" does not simplify matters. Bonn's protestations that it desires to speed up the integration of the Czech Republic with the European Community are frequently perceived as having a double meaning and are not infrequently interpreted as being gentle means of pressure.

But it is the political left and its organs which multiply and strengthen the Czech fears of and their judgments regarding their neighbor. In the absence of other points of criticism to be levied against the government—the economic reform is progressing well thus far, the predicted impoverishment of society has not yet occurred—the Communists and the Social Democrats have retreated to the readily available field of Germanophobia, a field which was well-cultivated for 40 years. Those who warn against the Teutonic people and their motives have succeeded in accomplishing a unique narrowing down and fixation: The German-Czech relationship, as it presents itself to the Czech public, is being determined by the Sudeten German question and its protagonists. From time to time Prague looks toward Munich like a rabbit looking at a snake. If it were not for the Sudeten German Landsmannschaft and its newspaper, then the former Communist Party daily, RUDE PRAVO, which is now "independent," but still very widely read, would, in the future, only need to order half the amount of paper for its printing plant. No one in the West is more frequently interviewed by Czech newspapers than the spokesman for the Landsmannschaft, Franz Neubauer.

At Chateau Schwarzenberg at Scheinfeld, where the former core of Czech and Slovak underground and exile literature, including Ludwig Vaculik, the present ambassador in Bonn, Jiri Grusa, and Miroslav Kusy, met with German writers and representatives of various Sudeten German organizations, there was, therefore, primarily talk of broadening the discussion: The German-Czech relationship must not be left to the "Sudeten German nomenclatura" and to parts of the Czech left as a monopoly proposition. This sounded almost like an admission of guilt. In any event, there would be enough work to do for the intelligentsia on both sides. There is a



consensus that a conciliation between Czechs and (Sudeten) Germans is only possible if it takes place of the free will of both nations. In the opinion of those present, it will not be possible to address the irritant topics of "indemnification" (in whichever direction) and "domiciliary rights" more meaningfully until the end of a rapprochement process for which, as it turned out in Scheinfeld, not even the applied concepts have been adequately clarified as yet. Both the Czechs and Germans agreed that historical myths and stereotypes would have to be first invalidated in both countries. It was with regret, therefore, that it was noted at the Franconian chateau that the Germans were unable to raise money in order to make it possible for the joint commission of historians to perform research regarding the number of victims of Nazism as well as expulsion.

The fact that despite long years of meritorious "people's diplomacy" on the part of reconciliation-oriented organizations such as the Ackermann Community there is an information emergency situation on both sides is demonstrated not only by the narrowing of the Czech view and the focus on alleged threats, but also by erroneous estimates on the German side. The Sudeten Germans frequently demonstrate too little understanding for the fact that a society, such as the Czech society, which has been subjected to multiple traumas, cannot, within a short three years following the latest revolution, allow all questions of national history to be put in question, particularly because the state structure, that of Czechoslovakism, has crumbled.

"Normal Germans," who, in contrast to Czech notions, are mostly totally untouched by the "Sudeten German question," fail to see, as a result of nothing but intellectual enthusiasm for the emigres of 1968 and for the heroes of Charter 77, that these individuals are, for the most part, dissidents among their own people, even when it comes to evaluating the relationship with Germans. The "German" notion that the desires of the expellees, which were previously not taken seriously, but which have now become uncomfortable, cannot be pushed to the edge of the German-Czech relationship is just as wrong as the "Czech" interpretation that the Sudeten Germans determine the decisions regarding almost everything in Munich and in Bonn.

The Prague government, which is also not completely free of many irrational convictions of their voters appears to be no longer willing to rely on the tactic of sitting out this one. In the meantime, the question of compensation is acquiring a political dimension. At the Ministry of Foreign Affairs and at the office of the prime minister, there is concern that the suppurative "Sudeten question" could turn into a serious burden for the German-Czech relationship. Patent solutions, which could untie the Gordian knot of guilt and sin, prejudice and truth are as rare within the Klaus government as they were in the group of intellectuals who met at Scheinfeld. Seminars and clever articles, it was said, are an important beginning, but they are not enough. Conciliation is something which has to be "experienced."

The specific "model of practiced ethnic peace," which the Munich historian Hilf raises as a vision for the sickly "Euroregions" at the Bohemian-Bavarian border, meets with little approval in Prague.

The relationship between Germans, Sudeten Germans, and Czechs, as many of the literati from Scheinfeld took home with them, is much more complicated than it appeared shortly after the collapse of communism. In balancing the progress made, modesty is therefore indicated. According to Prague historian Kren, Czech Minister Kaizl had warned as early as the end of the last century: One need not love one another, but only to get along with one another.

#### \* Economic, Financial Developments in 1990-92

93CH0699A Prague HOSPODARSKE NOVINY in Czech 27 May 93 pp 16-17

[“Excerpt” from an analysis by Prof. Milan Matejka: “Economic Paradoxes”]

[Text] *Economic development in Czechoslovakia for the years 1990-92 typically showed the principal signs of the first reform developmental phase. Speculative commercial transactions blossomed, particularly those involving real estate and the (nascent) securities, and the banking sector prospered. Industry recorded a sharp decline. A similar, if not worse, fate was suffered by agriculture and large construction investment projects, particularly housing construction. A substantial portion of the real sector experienced enormous growth of indebtedness. As a consequence of the financial crisis, the necessary modernization and restructuring of production enterprises was held down to a minimum. The competitiveness of Czechoslovak production on a world scale deteriorated on average. That is how Prof. Milan Matejka and a group of economists making up the antimonetarist opposition see the past three years. We are publishing below an excerpt from their extensive work—from Part 2 of their analysis.*

In comparison with Great Britain and other developed nations stigmatized by the monetaristic era, the speed and depth of production failure in Czechoslovakia was extraordinary. Annual declines were approximately 10 percent. The most rapid decline was experienced by the processing industry, with some selected production (in the area of electronics, optics, biotechnology, and so forth), where it was halted together. Expenditures for research, education, infrastructure, and ecology were limited—that is, expenditures for everything that does not produce any gain from the short-term standpoint.

The fundamental monetaristic priority of low inflation was not achieved. Price rises over three years amounted to approximately 100 percent.

#### Production and Income

Volume-type indicators of production in comparable prices showed a decline on the order of tens of percentage points in all branches.



Industrial production in 1992 declined by 35 percent in comparison with 1989. The relative decline is comparable to the decline in the crisis years of the 1930's. In 1992, production declined to a level that was noted for 1973, and, if the 3-percent long-term annual growth rate anticipated by the government is achieved, we shall not arrive at the production efficiency recorded for 1989 until the year 2007.

In 1990-92, structural development was also unfavorable. The measure of decline was directly proportional to the amount of processing required by the product. Production in the processing industry in enterprises employing more than 25 individuals declined by 40 percent, whereas the extraction of mineral raw materials declined by only 27 percent. Within the processing industry, the greatest declines were recorded by electronics, optics, and other selected products, production of which fell below 50 percent of the 1989 level in quite a few instances. Great declines were also recorded in the production of traditional Czechoslovak sectors of light industry, such as the glass industry (25 percent), footwear (40 percent), and textiles (44 percent).

Agricultural production in 1992, in comparison with 1989, declined by 22 percent, including plant production by 17 percent and livestock production by 26 percent. The crisis in agriculture became the focus of attention because the decline in production was connected with price development, which was unfavorable to farmers.

Construction-industry production recorded a decline of 25 percent in 1992, in comparison with 1989. Following the deep decline of 1991, there was a revival in 1992. Data for 1992, however, clearly overstate the reality because the highest values were reported in November and December. That is explained by premature billing in the interest of not having to pay value-added tax, which was introduced at the beginning of 1993; the sharp decline in reported construction production for the first months of 1993 tends to confirm that hypothesis. The most problematic aspect was clearly the development of the structure of construction work. Express increases were reported for small construction activity involved in various reconstruction projects for stores, offices, and so forth, as well as work abroad. The first boom is undoubtedly short-lived; the duration of the second is uncertain. On the other hand, large-scale domestic construction recorded a deep decline. The number of housing units started in 1992 declined in comparison with 1989 to a mere 17 percent, and the number of uncompleted housing units also declined expressly.

The volume of freight transported declined by 44 percent, something that can be attributed, for the most part, to the decline in production and a decline of the transport intensity of production.

Retail sales in 1992 declined by 28 percent, in comparison with 1989. In the construction industry, 1992 saw an increase over 1991. The reason for the turnaround in the development of retail sales was the growth of real

income for the population in 1992, as compared with 1991, which occurred in direct conflict with the development of cumulative indicators of production.

The decline in the gross domestic product [GDP] from 1989 to 1992 is most frequently listed as amounting to 22 percent in comparable prices. However, this datum gives rise to doubt. In a confrontation with data on the development of production in individual branches and with additional data, the decline in the GDP should be at least 3 points greater. Even the reported 22-percent decline in the GDP, however, is very serious because we would not reach the values of 1989 (given the government-anticipated 3-percent annual growth rate) until the year 2001.

National income in the form of net production created in the material production branches was not calculated in 1992 by the Statistical Office of the Czech Republic. The Federal Statistical Office indicated a decline for the first three quarters of 1992 for national income in comparable prices, and that decline amounted to 31 percent in comparison with the average monthly level of 1989. A 30-percent drop in national income means that, in 1992, we declined to the level of 1975.

The deterioration of indicators of production in international comparisons was the most serious. The per capita GDP, when recomputed in terms of valid foreign exchange rates, amounted to a mere one-eighth of the average in the countries of the European Community in 1992, when the actual parity coefficient of  $\frac{1}{8}$  was used. The reality lies somewhere between those values; through a simple consideration, it is possible to justify the Czechoslovak maximum as being approximately one-fourth of the production efficiency of the EC on a per capita basis.

#### Employment, Productivity, and Wages

In 1989, there were some 7.735 million people employed in Czechoslovakia—that is, 50 percent of the population. In 1992, the number of employed individuals, in comparison with 1989, declined by more than 1 million people. On average, 1992 saw some 440,000 unemployed (in relationship to the available manpower resources, that amounted to 5-percent unemployment). Other reasons for lowering employment were the following: advantaged maternity leave conditions, early retirements or termination of employee status by part of the population of retirement age, work abroad, termination of the employment of foreign workers in Czechoslovakia, earning activities in the underground economy, and the exclusion of a portion of the population interested in working from the unemployment records on the basis of tighter regulations. In view of the great and inadequately documented movement of workers in the private sector, the precise number of employed persons in the CSFR in 1992 is not known.

However, it can be anticipated that the decline in production was shared in approximately by the same decline

in the number of workers and the decline in productivity. In industrial enterprises employing more than 25 workers, 1992 employment, in comparison with 1989 employment, declined by 25 percent and productivity by 17 percent.

Real wages in the same enterprises in 1992, in comparison with 1989, were lower by 25 percent so that the wage intensity of industrial production dropped. The index of real wages, however, rapidly approached the index of productivity in the course of 1992, and, in December 1992, the productivity index was already lower than the index for real wages. Similar developments were taking place on average in all of the national economy, and there were considerable differences between the branches. Real wages declined the most in agriculture; on the other hand, the banking sector recorded a considerable growth in real wages.

The productivity of labor in industry, expressed in terms of the annual added value per employee, was about \$9,000 in 1992, which is not quite one-fifth of the average value in the countries of the EC. In 1992, wages in this country were approximately one-eighth of the average that existed in the EC (recomputed in terms of the official rate of exchange).

The development of employment, productivity, and wages was unhealthy in that mutual context because, given the decline in productivity, artificial employment levels were maintained and even increased by lowering real wages.

#### Foreign Trade and the Balance of Payments

In 1992, exports, in comparable prices, showed a decline of a mere 2 percent over 1989. The specific growth in the share of exports to markets of developed countries was a positive factor, rising from 31 percent in 1989 to 64 percent in 1992. On the other hand, the development of the goods structure was highly unfavorable. The share of machines, transport media, and other finished nonfood products in overall exports declined from 54 percent in 1989 to 35 percent in 1992. On the other hand, the share of fuels, raw materials, and materials (iron, cement, and so forth) rose from 39 percent in 1989 to 56 percent in 1992.

Overwhelmingly, however, the development of exports was more favorable than the development of production; the share of exports in production rose in 1992, compared to 1989, in the majority of sectors. A decisive influence on the decline in sales and production was thus exerted by the unfavorable development of the situation on the domestic market.

In comparable prices, imports declined by 14 percent in 1989. The fundamental reason lay in the bad financial situation of the production enterprises that lacked the resources for investment and, thus, also lacked resources to import machinery and other equipment necessary for modernization and to increase the competitiveness of production. A certain role was even played by the

excessive devaluation that took place in 1990, as a consequence of which the importation of equipment and technologies became sharply more expensive.

Exchange transactions deteriorated by 20 percent specifically. Koruna export prices rose (in conjunction with the devaluation) by 54 percent; import prices rose by 91 percent. The prices for petroleum were developing more favorably than expected for the CSFR, which had a positive influence on the index of import prices as well as on the balance of trade and the balance of payments.

The above data are documented by statistics. In conjunction with foreign-exchange reserves, the central bank monitors the broader concept of foreign trade, including leasings and individual imports or exports for personal consumption. This foreign trade specifically increased imports in our case (leasing was particularly the matter of imports of transport media and other installations for the services sector) and increased the liabilities side of the balance of trade. The deficit in the balance of trade for the period 1990-92 thus reached 78 billion—that is, 9 percent of the value of exports for the three-year period under consideration.

The deficits in the balance of trade were balanced by a highly positive balance in the services sector (79 billion) based on revenues derived from the international movement of persons and transit shipments. In transit shipments, from the standpoint of the balance of payments, there were the most important revenues generated by the transit of gas, which, in 1992, amounted to 18 billion korunas [Kcs]. It is quite clear that the principal merits for the positive balance of services were not ascribable to the economic reform; in the case of tourism, the increases can be ascribed to the geographic position, the touristic attractiveness of our country, and the political changes. In the case of revenues based on the transit of gas, the increases are ascribable to previous investments.

The fundamental weakness of the Czechoslovak economy was characteristic also with respect to external relationships—its very low efficiency. The value of per capita exports in 1992 amounted to a mere \$750—that is, not quite one-fifth of the average value in the countries of the EC. That number is virtually in agreement with the above estimate of the per capita GDP values. Thus, the unavoidably substantial increase in the efficiency of the Czechoslovak economy will require, at the very least, a proportional increase in exports.

#### Prices and Inflation

In December 1992, consumer prices rose by 105 percent in comparison with the average level for 1989. The average annual inflation rate of 27 percent was wholly unanticipated because, in the 1980's, the annual rate of inflation in Czechoslovakia was approximately 2 percent. The Czechoslovak situation could not be compared at all with the situation in Poland, not only from the standpoint of the statistically documented inflation, but also from the standpoint of the rate at which demand was satisfied, which was high in Czechoslovakia. Even

though a certain measure of hidden inflation in the 1980's undoubtedly existed and demand was not fully covered from the structural standpoint as well as from the quality standpoint, the greatest influence on the price leap was exerted by the virtual 100-percent devaluation of the koruna in 1990.

The devaluation decided the price level of imported goods and, thus, established a price ceiling even for our industrial products. The room for price increases, which was created by the devaluation, was practically used up by industrial manufacturers by May 1991, when the price level rose by 80 percent in comparison with the level that existed in October 1990. In contrast with that development, prices of industrial products rose by only 9 percent from May 1991 through the end of 1992. Given the firm rate of exchange and the stagnation of prices abroad, that is logical because domestic prices were essentially influenced only by developments involving distribution and commercial expenditures and not by the development of domestic producer costs.

Prices for basic foodstuffs and services underwent varying development because they are fundamentally not components of foreign trade, and raising their prices to levels that exist in developed nations would be intolerable for the population. The growth of food prices by 87 percent over the three-year period under consideration was decisively influenced by processors and commerce because prices of primary agricultural products rose by only 22 percent in December 1992, in comparison with 1989. The prices of services underwent the relatively most even increase and, in December 1992, rose by 100 percent over the average for 1989.

### Financial Results

#### 1. Fictitious Gains and Abnormal Flows of Money From the Enterprise Sector to the Government Sector

The production crisis, which was characterized by a decline in production on the order of tens of percentage points, caused a still deeper financial crisis in the market economy and did so in all economic sectors—in the business sector, the banking sector, the government sector, and among the population. Official Czechoslovak data for the years 1990-92, however, did not confirm that experience. State budget deficits were only about 1 percent of the GDP, the development of reported gains in the business sector was extremely favorable in view of the decline in production, and the banking sector even experienced some capital expansion. Not even the population perceived the proportional consequences of the production crisis. This economic anomaly developed as a result of the reporting and taxing of fictitious business profits. The profit picture was specifically distorted in 1991 and 1992 as a result of the following:

a) Underevaluation of expenditures, failure to respect price developments affecting manufacturing inputs, and expenditure "relief measures" resulting from the so-called debt-elimination measures made available to enterprises by the Fund of National Property.

b) Overvaluation of inputs into economic activity by recording production that was not paid for.

With respect to a) above, in 1991, in comparison with 1989, the amortization of the ZP [expansion unknown] was undervalued by approximately Kcs37 billion. The distortion of amortization caused the overvaluation of profits by a like amount. With a 55-percent tax on profit, the state treasury thus gained Kcs20 billion. An additional reason for undervaluing inputs was production based on old supplies that had been purchased at substantially lower prices and the computation of rates of material consumption that was accomplished at those prices. That was markedly palpable primarily during the first half of 1991. During that half-year, enterprises, for the most part, were doing their calculations in original prices for the consumption of materials purchased before the liberalization of prices and valued their products in actual prices after price liberalization. The resulting distortion was estimated by two independent processes as amounting to approximately Kcs55 billion. The state treasury thus gained Kcs30 billion.

The third factor that substantially contributed to undervaluing enterprise expenditures and overvalued profits was the so-called elimination of enterprise debt, which was undertaken in 1991, by using Kcs28.6 billion from the resources at the disposal of the Fund of National Property. The money was used to reduce enterprise debts at banks. Enterprise expenditures are thus lowered by payments made on debts that have been written off and, moreover, even by the amount of interest due on those debts. Proportionally, the enterprises achieve more profits and pay more taxes on profits. The state budget gained or stands to gain revenue estimated at at least Kcs20 billion on the basis of that transaction. That revenue is spread over several years because even the enterprises would be paying off the forgiven debt sums to the banks over several years. The concealed financing of the state budget from resources of the Fund for National Property through eliminating enterprise debt is deserving of special attention because it circumvented the prohibition of direct financing of the state budget from resources of the Fund of National Property and, moreover, resulted in a completely erroneous impression among the public that the government is helping the enterprise sphere at the expense of the public.

With respect to b) above, the system of reporting and taxation, which was taken over from the planned economy, did not provide for the possibility of writing off, as a loss, production for which customers did not pay within the specified time limit and possibly rerecording it as an asset, provided the appropriate sums are recovered. Both Czech and Slovak enterprises were thus compelled to pay taxes on profits that had been calculated for production that was not paid for on time and part of which will obviously never be paid for. The taxing of fictitious profits in that case amounted to the taxation of actual losses, and the sum involved was not small. Claims that were late in being made (so-called insolvency) grew from the beginning to the end of 1991

by Kcs100 billion. That amount is actually a duplicitous one that makes it very difficult to estimate net enterprise losses for production that will never be paid for. Given a very sober estimate of genuine losses of Kcs15 billion, the state treasury gained another Kcs8 billion in taxes through that incorrect market method.

The undervaluation of inputs and the overvaluation of outputs of economic activity resulted in overvaluing enterprise profits by at least Kcs110 billion. The taxes on those fictitious profits that flowed into the state treasury in 1991 reached a level of at least Kcs60 billion.

Another important extraordinary source for tax revenues was the increased actual tax burden imposed on the accumulated profits in the enterprise sphere, which was primarily the consequence of differentiating enterprises into profit-making enterprises and money-losing enterprises. In 1989, at a tax rate of 65 percent, the actual tax burden on the accumulated profits in state and cooperative economic organizations amounted to 67 percent. In 1991, in spite of a tax rate reduced to 55 percent, the actual tax burden imposed on the accumulated profits of the same group of organizations grew to 76 percent. The increase in the actual tax burden on accumulated profits from 67 percent to 76 percent represented an absolute value of taxes of Kcs14 billion. The difference between the 55-percent tax rate of 1991 and the actual tax burden

on the accumulation of enterprise profits in that year then represented taxes amounting to Kcs33 billion.

The growing differentiation of enterprises into money-making and money-losing ones and the growing weight of money-losing enterprises was based on the deepening production crisis. However, a considerable amount of influence was also exerted by organizational measures and by directive or monopoly prices in some sectors. The process of breaking up enterprises into independent smaller organizational units made it impossible to make up for losses and gains in the set of units that had originally been parts of larger organizations. Evidently, that increased the tax revenues in the state budget. As far as directly determined prices are concerned, the above-average increase in the prices of electric energy and gas on the one hand led to a sharp rise in the profitability of the energy industry and, on the other, lowered profits or resulted in losses for all other enterprises, for all consumers of energy. Similarly, the monopoly positions enjoyed by processors of agricultural products drove prices of those products down and contributed to the losses suffered by agricultural production but, on the other hand, assured decent profits for foodstuff-industry enterprises (see Table 1). Directive and monopoly prices thus substantially helped the state treasury with tax revenues by redistributing profits among the various branches.

**Table 1**  
**Profits in Centrally Directed Economic Organizations**

Branch	Billions of Kcs
Production and distribution of electric energy and gas	47.9
Foodstuffs and gustatory-products industry	10.0
Production of metals	6.7
Production of coke and processing of petroleum	5.5
Manufacture of chemical products and fibers	5.3
Manufacture of machines and instruments	1.8
Textiles and clothing industry	1.8
Construction industry	1.3
Manufacture of transport media	1.0
Transportation, communications, warehousing	- 1.0 (- 6.0)
Agriculture, hunting and gamekeeping, forest economy	- 5.3

From the standpoint of the results of management in the government sector, the flow of money to the state budget based on the reporting and the taxing of fictitious profits and the difference between the tax rate and the actual tax burden imposed on the accumulation of enterprise profits was of extraordinary importance. Without it, the budget deficit in the government sector in the years 1991 and 1992 would have been approximately 10 percent of the GDP and would have led to unmanageable growth of the state debt. It is necessary to keep in mind that the spending policy of the government was highly restrictive and did not create conditions for future growth, which are a prerequisite for paying off debts.

## 2. Enterprises

Information regarding the development of the financial situation in the enterprise sphere is incomplete, primarily because it fails to capture the small private sector. Moreover, for 1992, financial indicators for the entire federation have not been published. But data published for the Czech Republic and data published for the federation for 1991 make it possible to form a credible picture.

For the purpose of evaluation, two criteria are important: the profitability of production and the liquidity (solvency) of the enterprises.



As far as profitability of production is concerned, it is necessary to keep in mind the above-mentioned conflict between reported and actual profits, as well as the difference between nominal and real profits based on price-level developments.

The situation in 1992, when compared to that of 1989, was worse also in the light of nominal fictitious profits.

In the Czech Republic, the set of economic organizations composed of centrally directed organizations, those directed by local offices, and cooperative organizations posted profits of Kcs126 billion in 1989. Included in that number was the profit posted by centrally directed organizations (excluding the banking and insurance industry), amounting to Kcs91 billion. For 1992, only the profits posted by centrally directed organizations have been ascertained and published thus far (excluding the banking industry and the insurance industry), and they amounted to Kcs96 billion. Organizations directed by local offices and cooperative organizations, however, will substantially reduce that number because, as early as 1991, they posted losses of Kcs18 billion. Moreover, the posted profits of centrally directed organizations for 1992 were overvalued as a consequence of the curious decision that CSD [Czechoslovak State Railroads] expenditures should not include write-offs. The distortion caused by that in the Czech Republic amounts to approximately Kcs5 billion. Taking the last two factors into account, it is possible, with a high degree of reliability, to estimate that the fictitious nominal profits achieved by economic organizations in the Czech Republic in 1992 did not exceed Kcs75 billion—that is, 82 percent of the level for 1989. If we take into account the undervaluation of write-offs by a minimum of Kcs25 billion and the distortion based on additional factors described above (an estimated Kcs15 billion), we reach a figure of Kcs35 billion in profits for 1992, in 1992 prices. After deflating that value by the price index, we reach the conclusion that real profits achieved by economic organizations in 1992 did not even approach 20 percent of the level of profits achieved in 1989.

The differentiation of enterprises into profitable and unprofitable operations was conducted on a group basis and within such groups. Within the framework of centrally directed organizations, which were profitable as a whole (in contrast to organizations controlled by local offices and cooperatives organizations), 34 percent of those enterprises showed losses for 1992. Profitable enterprises posted gains of Kcs128 billion; unprofitable enterprises posted losses of Kcs32 billion. Table 1 provides information on sector differentiation of profits (the estimate of losses involved in taking amortization into account in the CSD organization is shown in parentheses).

In Slovakia, the development of profits was still worse than it was in the Czech Republic. That is clearly seen in the comparison between 1991 and 1989. While Slovakia shared in the overall profits achieved by economic

organizations of the federation in 1989 to the extent of 21 percent, that share declined to 16 percent in 1991.

In the period 1990 through 1992, the development of liquidity was, at first glance, still more unfavorable than the development of profitability. Insolvency on the part of enterprises increased from Kcs7 billion at the beginning of 1990 to Kcs250-300 billion at the end of 1992. (Data for the end of 1992 diverge because they only involve gross estimates by organizations occupied with the mutual settlement of claims.) The growth of insolvency would be even greater if the above-mentioned elimination of enterprise debt was not undertaken.

Even fictitiously profitable enterprises found themselves to be insolvent. And that was so not only as a consequence of customers failing to pay for invoiced and dispatched products, but also as a consequence of undervaluing write-offs and material consumption. For example, as long as enterprises were entering material consumption in old lower prices, they were unable to purchase similar quantities of materials for further production based on their collection of calculated amounts. While it is true that, by undervaluing the consumption of materials, enterprises showed larger profits, they were compelled to pay 55 percent of those profits to the state budget. The money thus turned over by the enterprises (in part, unnecessarily) to the government account was then, understandably, missing in the accounts of the enterprises. The government is not without fault because the enterprises were unable to calculate their write-offs in actual reproduction values. Moreover, a number of important enterprises found themselves in insolvency as a result of production undertaken for the Soviet Union on the basis of government agreements for 1991 (government listings) without being paid for their products. Even suppliers of the enterprises involved were affected by that development as part of a chain reaction.

### 3. Banks

Data on the development of management in the banking sector and the insurance sector ceased being published by the state Statistical Office. That is another of the curiosities of the Czechoslovak transition to a market economy, which are connected with a number of unnecessary conjectures and suspicions. According to data provided by the central bank, profits achieved by commercial banks in the Czech Republic in the period 1990 through 1992 amounted to the following: in 1990, Kcs10.8 billion; in 1991, Kcs16 billion; in 1992, Kcs8.9 billion.

In view of the development described for the real sector, the data appear to be credible on the whole. However, those data give rise to some doubts from the standpoint of the development of interest rates for loans and those paid on deposits. Whereas in 1990 the difference between average interest rates for all loans and deposits (for all of the CSFR) was 3.33 percent (and was substantially the same as it was in 1989), in 1991 the spread increased to 6.34 percent and in 1992 to 7.11 percent. In



view of the reported growth in the absolute amount of deposits and loans, the income of banks based on basic banking operations virtually tripled. (In the light of inflation, however, that development appears to be substantially less favorable.)

The decline in nominal profits accompanied by a virtual tripling of incomes is explained by the banks as resulting from the necessary creation of reserve funds, intended primarily to cover losses based on risky loans. The volume of reserve funds at Czech commercial banks toward the end of 1992 amounted to Kcs45 billion and, in relationship to the risky nature of loans, is evaluated more as being inadequate. The real situation will become manifest only after the law on bankruptcies has been in effect for an appropriate amount of time. It must be remembered that banks generally get into difficulties in an economic crisis with a certain amount of time delay, following the difficulties besetting enterprises in the business sphere.

The decline in profits in the banking sector clearly also has other causes. Unequivocally, those include the growth of wages and will also very likely include investments written off as costs. From the point of view of the development of wages and investments and the strengthening of monetary capital, the banking sector was developing positively from 1990 through 1992 and fared substantially better than other sectors.

A key question regarding the conflicting development of the enterprise and the banking sectors from the viewpoint of the banks was whether the banks, with their credit policies, aimed at the high creation of reserves and the strengthening of their own capital, did not undermine their clients in the real sector to the extent that they drove them into bankruptcy and whether the long-term losses of banks will not, therefore, be greater than the growth of reserves and capital in the period 1990-92. From the standpoint of business enterprises and clearly also from the standpoint of the entire national economy, the loan policies of the banks, the excessively high growth of the difference between interest rates on loans and those paid on deposits, was unfavorable.

#### 4. Government Sector

The internal government debt, which actually came about in 1990-92, includes the following principal components, according to information made available by the Ministry of Finance of the Czech Republic:

- a) Budgetary deficits worth Kcs26 billion.
- b) Devaluation compensation for banks worth Kcs26 billion.
- c) Extrabudgetary subsidies to comprehensive housing construction in 1992 worth Kcs13 billion.

The sum of budgetary surpluses and deficits for the years 1990, 1991, and 1992 represents an increase in the debt by Kcs30 billion, of which, however, not quite Kcs4

billion was paid off in 1992. Losses based on devaluation, which were borne by the government sector, must be ascribed to the reform because the measure of devaluation was not optimal, and the government-sector side of the devaluation resulted in increased revenue for the state budget.

The internal government debt also rose by Kcs11 billion as a result of the termination of the Krivoy Rog campaign (a debt owed the Investment Bank) and the difference between the claims and the obligations of the Czechoslovak Bank of Commerce, which were taken over and were valued at Kcs16 billion (a debt owed this bank). Furthermore, the internal debt based on rehabilitations increased by not quite Kcs2 billion. While those items are as important from the viewpoint of burdening the state budget with future payments as are items a), b), and c) above, they are the consequence of the pre-November period.

The foreign debt of the government resulted from drawing credits from the World Bank, the EC, and other countries at a koruna level of Kcs32 billion for purposes of strengthening foreign-exchange reserves. However, those funds were not spent; they are on deposit with Czechoslovak banks and do not represent an increase in the net debt. A certain risk is connected only with a possible devaluation. Given the current difference between our and foreign interest rates, the financial operations involving government loans are actually advantageous to the government sector.

In addition, the CSFR had government obligations at the end of the year payable to foreign countries at a level of Kcs75 billion and claims of Kcs150 billion. A fundamental problem is the location of claims in countries of the former Soviet Union and in Third World countries. To the extent that those claims were paid off at all, that was done mainly only at great loss to us. Given the declining efficiency of the economy, the growth of the government debt created serious problems from the standpoint of payments. A completely fundamental question is the further development of the state budget and the state debt in the event that taxes based on fictitious profits stop flowing into government accounts. The practices of the past three years cannot long continue.

#### 5. Population

On average, the financial situation of the population has deteriorated, and differentiation has simultaneously increased. Although, nominally, deposits (including foreign-exchange deposits) and cash have grown from January 1990 to December 1992 by 39 percent, the real value of deposits and cash has declined by 27 percent in view of the rise in the cost of living. At the current price level, that decline represents Kcs175 billion. But consideration must be given to the fact that demand was better satisfied in 1992 than it was in 1989 and that a certain group of the populace has deposited more money in business accounts in 1992. Per capita savings at the end

of 1992 amounted to not quite Kcs30,000—that is, \$1,000. The purchasing power of the Czechoslovak population is, thus, very low.

Although data on the differentiation of savings by the population are not published, it is possible to anticipate that differences have grown in conjunction with the differentiation of incomes.

#### **Connection With Systems Changes**

At the end of the 1980's (as well as at the beginning of 1990), the Czechoslovak economy was in a recession, and the application of a harshly restrictive macroeconomic policy in such a situation generally transforms such a recession into a depression (crisis). The combination of a restrictive fiscal, monetary, and wage policy expressly lowered aggregate demand in our market for all types of goods. Because the domestic market was the principal sales market for our manufacturers, they are the ones that had to lower their production volumes. Demand declined most for capital goods (metal-working machines, cargo trucks, and so forth).

Liberalizing imports in a situation where many of our products were not capable of competing qualitatively

(and, in part, also in terms of costs) with foreign competition, then, only multiplied the decline in demand for our products in the domestic market. The liberalization of trade impacted particularly upon producers of consumer goods and small capital goods (the enterprises did not have sufficient funds to make large machinery investments). The across-the-board liberalization of imports was particularly destructive for manufacturers of electronics, optics, and other selected products that had been developing in our country before that time under conditions of isolation from Western technology and were, thus, underdeveloped. In selected sectors, even the production of large capital items was paralyzed or liquidated by the fact that state orders (particularly in the area of telecommunications) were being placed with financially strong foreign firms that were offering credit conditions our weakened enterprises were not able to offer. To permit the liquidation of segments of developing high-tech production by stronger foreign competition was a fundamental economic-policy mistake. The governments of today's successful countries that previously had immature or nonexistent high-tech production processes supported those production facilities and did not fully open the domestic markets to foreign competition until such times as their domestic production was capable of competing.

### \* New Perspectives on Trade With Israel Announced

93EP0285A Warsaw NOWA EUROPA in Polish  
9-10 Jun 93 p 14

[Article by Joanna Szulc: "Bad Beginnings to Something Good: Polish-Israeli Cooperation"]

[Text] According to data of the Central Office of Statistics (GUS) on last year's trade with Israel (\$33.6 million), the positive balance for Poland in 1991 (\$49.2 million) changed to a deficit in 1992 amounting to \$2.8 million. Israeli statistics present different results: Trade in 1992 was almost twice as much, \$58.5 million, and there was a significant surplus in our export, \$12.9 million.

A division of the Polish General Savings Bank (PKO) in Tel Aviv was the first to operate on Israeli territory. It functioned from 1933, with a break during World War II. After diplomatic relations were established, the first trade agreement was signed in 1949, which was subsequently replaced by agreements signed in 1951 and 1954. The latter was extended annually by supplementary protocols.

After breaking diplomatic relations in 1967, Israel declared a unilateral trade agreement in 1968, and, during the next few years, only the PKO Bank operated in Israel. Since 1986, economic cooperation gradually became normalized. In 1987, the Polish People's Republic Interests Section was opened in Tel Aviv; a direct shipping connection was established a year later and an air connection in 1989. Mutual diplomatic relations at the embassy level were renewed on 26 February 1990.

### Legal Basis for Cooperation

In 1991, during a visit of the president of the Republic of Poland to Israel, the following agreements were signed: on trade and economic cooperation; on avoiding double taxation; on support and mutual protection of investments; on cultural, scientific, and educational cooperation; and on mutually creating institutes of culture and information.

Economic agreements contain a clause on most-favored-nation status in accordance with GATT, an entry on settling accounts in hard currency and on establishing a joint committee.

In 1990, an intergovernment agreement on air communication was concluded and, in 1991, an agreement on economic and scientific-technical cooperation in the area of agriculture and the food industry.

### Various Ideas on Trade

In 1967-75, Polish trade with Israel practically came to a standstill. After 1975, trade was carried on through the mediation of companies from third countries and amounted to scarcely \$1.5-2.5 million annually. Only since 1986 has there been a rapid growth in Polish-Israeli trade.

Mutual Trade 1989-92  
(in millions of \$US)

	1989	1990	1991	1992
Export	36.0	65.9	59.6	15.4
Import	25.0	11.5	10.4	18.2
Turnover	61.0	77.4	70.0	33.6
Balance	+ 11.0	+ 54.4	+ 49.2	- 2.8

This statement does not include mediated trade—that is, trade realized with payment through third countries (Great Britain, Switzerland, the Netherlands, and the FRG). In 1992, that amounted to approximately \$14.1 million, comprising export to Israel, \$5.0 million, and import from Israel, \$9.1 million. According to data of the Office of the Trade Council, based on Israeli statistics, Polish trade with Israel in 1992 was higher and amounted to \$58.6 million, comprising export to Israel of \$35.2 million and import from Israel of \$23.4 million. Data of the Israeli Ministry of Industry and Trade arranged according to country of origin of the merchandise indicate trade for the past year on the order of \$58.5 million, including import from Poland amounting to \$35.2 million and export to Poland \$22.3 million.

For several years now, the basic part of Polish trade with Israel has been realized through the ITALMEX Company, Tel Aviv branch. In 1991, that amounted to approximately \$70 million.

A significant decrease in the value of Polish export to Israel in 1992 was due to the collapse of steel billet sales (bankruptcy of the erstwhile buyer) and the ban on export of agricultural crops during the drought.

Polish export to Israel is dominated by products of the metallurgy industry (\$10.5 million), chemicals, mainly sulfur, synthetic rubber, and soda, as well as products of light industry. Principal exporters include: IMPEX-METAL, STALEXPORT, CIECH, ROLIMPEX, TEXTILIMPEX and the Sendzimir steelworks.

From Israel we import mainly products of the electromachinery industry (data-processing equipment, telecommunications equipment, machinery), agricultural articles and food, steelworks products, and chemical products.

### Good Prospects

For several years now cooperation between Poland and Israel has been developing best in agriculture and the food industry. The intergovernment agreement signed in 1991 created better conditions for its further development, taking advantage of experience of the highly developed agriculture and animal husbandry of Israel, especially in plant and animal production, veterinary medicine, milk processing, irrigation, directing production toward export, and marketing in the agricultural sector. The agreement also anticipated an exchange of

specialists, conducting joint research and experiments and the organization of training.

[Boxed item: The most recent financial results presented by Itzak Rabin, Israeli prime minister, project economic growth on the order of 0.5-1 percent, with an annual inflation rate of 2-3 percent. Gross national product rose by 6.4 percent in 1992, as compared with 5.9 percent in 1991.]

Involvement in joint enterprises of Polish and Israeli companies is also increasing. According to the most recent data, the Agency for Foreign Investments and the Ministry of Ownership Transformations issued 35 permits for the creation of joint venture companies with Israeli contribution to joint capital amounting to approximately \$4 million. Those companies are engaged mainly in food trade, processing and industry, tourism, and catering. Israeli participants are mostly small companies that are quite strong financially, but that started to change gradually after the economic agreements concluded in 1991 became valid. The first example of that was the signing in September 1991 of an agreement between the ERA Factory for Measuring Instruments and Computers and the Israeli TELRAD company for initiating joint production of telephone exchanges for the national market and other countries.

Poland is attempting to involve a greater number of our companies in construction investments resulting from mass immigration to Israel. The success of those operations will depend in large measure on demands for construction services from abroad and the rate of immigration, which has recently decreased somewhat.

Plans for modernizing and building railroads in Israel up to the year 2010 are creating an opportunity for participation in their realization by Polish planning offices, the railway rolling-stock industry, and other railway branches. Initial discussions on this have already taken place with the Israeli Ministry of Transport.

There are also great possibilities for industrial and scientific-technical cooperation in such areas as modern electronics, computer printing, and electronic apparatus for medicine and environmental protection.

In March 1992, in the course of discussions at the Ministry of Foreign Economic Cooperation, partners made official proposals for mutual reduction in customs for certain commodities. That happened after Poland signed agreements of association with the EC, which naturally decreased the competitiveness of Israeli imports. An incentive for making that proposal was the precedent-setting decrease in our customs rates for phosphorites at the beginning of 1992. In May 1992, the first Polish exhibition, MADE IN POLAND, was organized in Tel Aviv with the participation of 20 Polish companies. At the end of November and the beginning of December of last year, the promotional spectacle, ITECH '92, organized by the Israeli Embassy, took place in Warsaw; approximately 50 enterprises from Israel and 400 Polish companies participated.

Israel recently proposed the creation of a free-trade zone. Creating it is a complicated matter, requiring long negotiations. Both Poland and Israel signed trade agreements with the EC and EFTA [European Free Trade Association]. Poland is also bound by agreements with countries of the Visegrad Group. Creating free-trade zones would affect conditions of trade with other partners; therefore, their agreement would be needed. For that reason also, Andrzej Arendarski, minister of foreign economic cooperation, during his visit to Israel at the end of May and the beginning of June, paid most attention to the mutual liberalization of trade.

#### [Box, p 14]

The most spectacular projects of Polish-Israeli cooperation are:

- A contract between the Polish company TELMONT and the Israeli TADIRANI to provide a computer network and telephone exchange for GUS.
- The computerization of customs clearances at the new Warsaw airport, won in competition by MALAM SYSTEM of Israel.
- Negotiations with SHIRYONIT HOSEM SECURITY PRODUCTION Ltd. to make steel doors and alarm equipment in Ryki.

### \* Commercial Aircraft Developments Profiled

#### \* Sokol Helicopter Described

93EP0287A Warsaw POLSKA ZBROJNA in Polish  
3 Jun 93 pp 1, 5

[Article by Stanislaw Lukaszewski: "In the Wake of Sokol's Success: On a Par With the Best"]

[Text] It is a great success for the Sokol, a Polish helicopter designed by the Transportation Equipment Plant [WSK] in Swidnik near Lublin, to have been granted a U.S. certificate. That certificate permits our product to be sold on the U.S. market. What does that mean for the Polish industry? It means that we hope to export those mechanical dragonflies now and reap the financial benefits.

Will the U.S. certificate alter the fate of the Sokol? We have tried to obtain that document for three years. At the same time, we have made continual efforts to improve the helicopter. Small improvements have been made in line with the spirit of the time because the Sokol is supposed to be universal. Hence, the expansion of the assortment by means of the production of the helicopter in several versions. The helicopter made its greatest impression on specialists and observers during the International Air Show in Poznan in August 1991. Among the aircraft of the Polish aeronautical industry, the following were shown: the Iryda, the Orlik, the Fleming, and the Koliber, and the Sokol and Kania helicopters. Commander Pilot Zbigniew Smolarek piloted during our



Sokol's aerobatics display. What our pilot did over the Poznan Lawica left the experts in awe. Commander Pilot Smolarek worked wonders. Even the best-trained pilot can do little on a poor piece of equipment, but the pilot of the Sokol proved that it is a modern piece of equipment that is on a par with world standards.

The Sokol that was demonstrated, as was stated at the show, has been a Navy helicopter for more than two years and operated in flights over the sea under various atmospheric conditions both during the day and at night. Despite the intensity of the training and the trials conducted, the helicopter passed the difficult operational exam with a perfect score. It was designated to seek out downed craft and give them aid.

The commentator at the air show said that the Sokol is equipped with the newest search system; a satellite radar and DECCA [expansion unknown]; a navigational system; comprehensive rescue-medical equipment; and an instrument-landing system. Attached flotation devices make it possible to land on the surface of the water. Thus, it is possible to offer aid even under very difficult hydrometeorological conditions.

That was in August 1991. Since that time, efforts have been under way to obtain a U.S. certificate. There has been extremely stiff competition. It is said that one can assess how good a thing is by comparing it, and here, on the world market, we have the renowned Puma 330 and, moreover, the famous Bella 412. The Sokol is heavier and consumes a much larger quantity of fuel. But it is much cheaper. Moreover, it can be designated for other use. In a rescue or military helicopter, heaviness may be an advantage.

We already know that the Sokol was researched carefully by FAA [Federal Aviation Administration] specialists and that it proved that it meets the "screw" U.S. aviation regulations and fulfills all requirements set for helicopters in the United States. The final stage of the research was flights of the Sokol executed by U.S. test pilots who are part of the team of the Federal Board of Aviation. That team came to Swidnik to grant the certificate.

The specialists claim that the Americans do not award the certificate "for good looks." The test pilots have high standards for a given piece of aircraft. Thus, regardless of the demand and the profits from sale, receiving the certificate itself is a success.

What else do we know about the Sokol? We know that its prototype was begun in 1974. But specialists are in agreement that the technical and operational qualities of the Sokol place it right at the fore of the helicopters in this class. The basic version is the cargo-passenger craft that carries 12 passengers or 2.1 tons of cargo. The Sokol is remarkable for its versatility. It can fly in a hot climate, but it also has equipment to counteract helicopter icing. Its price is also attractive. While the Puma costs approximately \$5 million, the Sokol costs half as much.

Will we get into foreign markets? There is a recession as far as helicopters are concerned. The magnates in that field will not readily yield the field. But the Sokol has opportunities to beat the competition in its class. In mid-June of 1993, the Le Bourget Airport near Paris is opening its doors for the 41st time. Here, just as every year, will be held an already legendary show: the Air and Cosmonautical Salon. Here everyone who knows anything in the world of the aviation industry and business meets. Here people assess and compare, make contacts, and conclude contracts. We will be in Paris with the Sokol as well as with another worldwide success produced by the Swidnik WSK—the PW-5 glider. It is now a question of being on a par with the best not only with our glider and our helicopter but also in promoting them. It should also be stated that a second sample of the PW-5 that has been produced is now en route to Seoul for the world Expo 93 exhibition.

In Swidnik, they are expecting orders from around the world for the Sokol and the PW-5. At this time, up to four Sokol helicopters are in use in the Navy. The Polish Army wants to purchase another dozen or so. The Taiwanese Ministry of Internal Affairs is planning to purchase the Polish helicopter. Unfortunately, it wants to buy only five helicopters—for the police. However, this is only the first round. After this round, an agreement is to be signed to supply more helicopters. The capabilities of the Swidnik work force are many.

How can the U.S. certificate be utilized? Primarily through active advertisement. The Sokol helicopter and the PW-5 glider are worth the money invested in promotion.

#### \* Export Chances Viewed

93EP0287B Warsaw POLSKA ZBROJNA in Polish  
4-6 Jun 93 pp 1, 5

[Article by Stanislaw Lukaszewski: "Orlik Planes for the Military: The Aviation Industry Emerges from Its Turmoil"]

[Text] Not very long ago it was still being said that our aviation industry is in turmoil. Now we note the signs of our emergence from that state. Recently we reported on the Skorpion battlefield plane proposed by the Warsaw-Okecie State Aviation Plant [PZL]. The Polish PW-5 helicopter achieved great international success. It has proved to be the best in the world. After three years of successful tests, the Sokol helicopter was granted a U.S. certificate. And now the next news items: The Warsaw-Okecie PZL is handing over to the Air Force over a dozen Orlik PZL-130 planes to add to the two that are already in service.

Ryszard Leja, the Warsaw-Okecie PZL director, who appeared on television, has reason to be proud. The tests with the Orlik have yielded very good results. The training plane is light and fast and consumes one-fourth as much fuel as a similar class of plane. And if fuel prices

increase and it becomes necessary to cut costs—the military budget is meager—that quality is important.

Director Ryszard Leja stated that the Orlik has everything a modern military pilot needs—the newest avionics, a flexible yet strong engine, and a satisfactory performance.

What sort of product is our Orlik? What is its path on the threshold of possible success? At the close of 1990, in Warsaw-Okecie PZL, the serial production of the Orlik turbo training aircraft was begun. That plane achieved its ultimate form as a result of several years of work by a team of plant designers and pilots and a major consumer—that is, the Polish Air Force. Likewise, the comments made by the research teams of the air forces of other countries to which the PZL offered to supply planes have been beneficial. The experiences from the trials and operation of planes with the PZL-130 Orlik piston engine have also been significant. All in all, eight samples of planes, flying a sum total of more than 3,000 hours, took part in tests and trial operations. A plane with various engines and a variety of equipment was tested.

Finally, the PZL is offering four versions of the Orlik turbo based on the same fuselage structure but differing in drive assemblies, equipment, performance and, of course, price. Such a solution is convenient for the manufacturer, but, at the same time, it may please very many consumers. Moreover, it may constitute a system of unified planes: from the simple and inexpensive for basic training up to the extensively equipped plane with high performance, which is a good simulation of a target-oriented combat plane.

What are the features of the Orlik? It is a two-seater turbo-prop, fully aerobatic training craft. As a result of its specific design, it has the flight-piloting properties of a jet aircraft but preserves the low training costs characteristic of turbo-prop engines. Those qualities make possible a broad training program that also includes phases executed normally with the use of expensive jets. How will the Orlik be used? It will be used for the preliminary selection of students, basic pilotage and aerobatics, flight under difficult atmospheric conditions, group flights, air-battle lessons, reconnaissance, and the tracking of aerial targets. The Orlik is a two-seater monoplane of cantilever, fully metal design. The instructor's seat (at the rear) is placed higher than the student's, ensuring good visibility. The seats, movable electrically, are adaptable to both back-type and seat-type parachutes. The plane has retractable tricycle landing gear. The fuel tanks have a constant capacity of 400 liters. The wing span is 8 meters, the length is 8.45 meters, and the wing area is 12.2 square meters. The dry weight of the plane is 950 kg, the take-off weight is 1,300 kg, the cruising speed is 330 km/h, the maximum speed is 380 km/h, the ceiling is 7,000 meters, and the range is 1,460 km. The manufacturer, of course, is the PZL Warsaw-Okecie.

Can we expect orders from abroad? Our assortment includes the Iryda, and the future of the Skorpion seems promising. What will evolve, only time will tell. But we can already say that we are becoming competitive in that field.

What do we still need? Perhaps greater consulting activism, perhaps more lively marketing because our product is on a world level.... With our Orlik, we are no worse than others. We are on a par in terms of quality and flight safety, and we offer lower prices. Foreign orders would be helpful. However, there is the opinion that, for military equipment to sell well abroad, it must be checked out by our own Army. Thus, it is good that that dozen or so Orlik planes are reaching our armed forces. That is our best advertisement.

But we should speak of this loudly and with much ceremony. Those are the laws by which the market is governed. To be stronger than the competition, we must also win in the field of promotion. That is true likewise in the aviation industry because that industry is also big business.

#### \* Effects of Change in Customs Duties Announced

93EP0285B Warsaw NOWA EUROPA in Polish  
9-10 Jun 93 p 2

[Article by A. L.: "Liberalization of Customs Rates: Average Charge Will Decrease by Approximately 1 Percent"]

[Text] On 8 June, the Council of Ministers adopted new customs tariff by decree. At the GATT forum, the government accepted the proposed agreement on an upper limit to Polish customs tariff.

The new rates are scheduled to become effective simultaneously with the VAT [value-added tax] on 5 July 1993. The decree on customs tariff sets four types of rates and introduces a 6-percent customs rate on all imported commodities. The new 6-percent duty will replace the turnover tax in force thus far; that tax will expire when the new customs regulations, tied to the VAT, become effective. Andrzej Arendarski, minister for Foreign Economic Cooperation, stated: "The new solution will change nothing to favor importers. Some of them will get relief because the tax will be paid on the basis of customs value and not as hitherto on customs value increased by other taxes."

The philosophy behind the new regulations is based on making the tax rate dependent on the degree of processing of a product (the lowest rates for raw materials and products minimally processed), not on taxing products not produced in Poland, and progressing as rapidly as possible to matching Polish rates to EC rates.

Differentiation in treatment of trade partners will be limited to four groups: basic (for commodities from GATT countries and those to which Poland has granted most-favored-nation status), preferential (for developing

and slightly developed countries), autonomous (for countries not granted most-favored-nation status), and autonomous increased by 100 percent (when the country of origin of the commodity cannot be identified).

The Council of Ministers also adopted several resolutions regarding collecting an additional 6 percent duty. Arendarski stated: "This is an attempt to make the Polish economy more compatible with the economies of the EC countries." He emphasized that the task of the new tariff is to lower the costs of potential investments.

At present, the average weighted Polish customs duty of 12 percent will be decreased by 1 percent as of 5 July. That will bring about a decrease in budget income of approximately 1 trillion zlotys.

That effect will be limited for the next trillion zlotys by not introducing compensatory payments, but, according to the government, the liberalization of foreign trade and the creating of incentives for investment will balance those losses.

The Ministry of Foreign Economic Cooperation anticipates that, after the new customs tariffs are introduced, prices will increase for electronics, cigarettes, and imported beer (taxed, in addition, by duty amounting to 30 cents per liter). On the other hand, consideration was given to demands of the agriculture department to raise the rates on imported potatoes and processed potato products from 30 percent to 50 percent; that could not be adjusted by compensatory payments.

### \* KSU Chairman Discusses Situation in Slovakia

93CH0713B Bratislava REPUBLIKA in Slovak  
9 Jun 93 p 8

[Interview with Jan Klepac, chairman of the Christian Social Union, by Marian Dudinsky; place and date not given: "Personal Responsibility for the Fate of Slovakia"]

[Text] *The Christian Social Union [KSU] of Slovakia is a party that is outside parliament and was formed before the elections, when part of its membership left the KDH [Christian Democratic Movement]. Learning from its lack of success in the elections, it began after them to systematically build up its membership base and today has representation in all regions of the SR [Slovak Republic]. On the current Slovak political scene, it forms a kind of bridge between the as-yet-undefined left and the right. But even that is obviously not a precise statement because the political definition of the KSU is still being formulated, and the following interview with its chairman, Eng. Jan Klepac, who is at the same time the director of the Secretariat of the Corps of External Consultants to the President of the SR, bears witness to that fact.*

[Dudinsky] Today it is all the rage, especially in the case of parties that are outside the parliament, to call for unity in the name of this or that political program. On the right, the Conservative Democratic Party (KDS), the former Party of Conservative Democrats, in which part of the membership of the former ODU [Civic Democratic Union] ended up, feels itself to be such a unifying factor. Your KSU, however, with part of your membership coming from the ranks of the KDH, is competing with it. Is that not a bit much for our little Slovakia?

[Klepac] Let us go back to April 1993, when the SNS [Slovak National Party] had its Slovakia-wide congress in Ruzomberk. It is true that at that congress I called on the SNS to create a right-wing national bloc with a Christian social orientation. That idea was treated as a counterbalance to all of the parties and movements that are trying to stake out a little field to the right just for themselves in an independent SR, even though beforehand they were clearly oriented toward the former federation, and the emancipation efforts of the Slovak people were considered by them to be a postcommunist putsch. At the same time, such a right-wing bloc was supposed to be a counterbalance to the forming leftists. The nucleus of that bloc could be the SNS, the KSU, the Green Party of Slovakia, and others. We are having these discussions, and we are not far from reaching a decision, depending on how the situation develops politically. It is simple, I think, for a political entity to be created in Slovakia that would prove realistically capable of gaining 15-20 percent of the votes in future elections and that could create a prospering Slovakia from an independent Slovakia. Sometimes I have the feeling that the SKD is thinking of itself in terms that only its members hold the franchise on right-wing politics, even though, I admit, to

date it is not quite clear what right-wing politics are. In principle, we are building on loyalty to the SR. Today, however, almost all of the parties and movements are paying lip service to loyalty. But it is hard to consider loyal a party that calls for a million-koruna fine for Julius Binder for supposedly unjustified damming of the Danube River at Gabčíkovo or one whose representatives say that Slovakia is a center for international gangs of drug dealers or that the Constitution of the SR is a farce, and so forth.

[Dudinsky] Mr. Chairman, you and other representatives of the KSU are fond of declaring yourselves to be anticommunists, an anticommunist party. The critics point out, however, that not even your membership base was always anticommunist, but there were, or are, quite a few voters in it who once increased the percentage of success of the former KSS [Communist Party of Slovakia].

[Klepac] In the former regime, only a very small number of citizens were willing to take risks openly and to oppose those in power. However, there were underground resistance and opposition, and even believers participated. If you have in mind my statement about the percentages of votes on the margins of the SDL [Party of the Democratic Left], the former KSS, it is a fact that the SDL would rather have people in its offices who know something about that period. I remember very well how former Deputy Prime Minister Ondrus came out against Peter Weiss in the Slovak National Council [NR]. Weiss immediately answered, "Mr. Ondrus, I have in the past taken a look at your records, and you completed the VUML (Evening University of Marxism-Leninism) with honors." To a certain degree, that also explains the conformity of the SDL's policies. We dare to call ourselves anticommunists just because none of the members of the KSU leadership was ever in the KS [Communist Party] or have any had problems with the lustration law.

[Dudinsky] Mr. Klepac, it seems to me that we have not yet looked at the problem from another angle. The president has selected you as the director of the Secretariat of the Corps of External Consultants. That is a manifestation of great trust, even a show of excellent trust in you personally because, as we know, you refused to take a higher position in the Office of the President only because you did not want to give up the position of chairman of the KSU temporarily. How do you serve a president who participated in the SDL congress?

[Klepac] The president is only keeping his promise that he will visit the congress or convention of all of the other parliamentary parties as well. He was at the HZDS [Movement for a Democratic Slovakia] congress, but he could not take part in the SNS congress because at that very time he was at the official opening of the Holocaust Museum in the United States; however, he did send a letter of greetings to the congress. Now he has participated in the SDL congress, but, if he is invited, he will also participate in the discussions of the other political parties represented in the NR of the SR. I think the



president wants to be a kind of integrating factor in the Slovak political scene, who shows himself able to rise above narrow party political speech-making and who demonstrates his ability to speak to all of the political parties through his deeply humanitarian approach. In my view, that is proper because Slovakia needs such a politician.

[Dudinsky] It is obvious that your members or sympathizers will perhaps take the most interest in the development of relationships between the KSU and the KDH. Has anything changed?

[Klepac] We are trying to maintain certain contacts between us. The last meeting was in April in Banska Bystrica, where it was stated that it is necessary for us to limit our mutual confrontations, mainly through the mass media, because, when all is said and done, they are used to harm Slovakia. We agreed that the fundamental problem in our mutual relationship, which was the question of the legal composition of the state, is now irrelevant, although there still persist serious differences about the solution to the current social situation. That is the basic difference between us. I, personally, of course, even now do not have full faith in the eventual loyalty to the SR of the party of Jan Carnogursky and Frantisek Miklosko. I think that in the KDH there are also representatives from whom one could expect such loyalty.

[Dudinsky] But I indeed think that both of your parties, just because they are Christian, should be constructive elements on our political scene and should try to moderate this general spiritual failure....

[Klepac] We can confirm that we are ready at any time to enter into such constructive cooperation. I do not have the feeling, however, that the KDH is of the same mind. There are just too many substantial differences. We also differ in our economic programs....

[Dudinsky] Yes, there are currently various discussions taking place between the politicians on an economic theme. The KDH is offering a 1,000-day economic stimulus. What is the KSU offering?

[Klepac] The KDH program is a typical one for a liberal market economy. It is hard for me to find any trace of Christian social teaching in it, such as can be found, for example, in "Centesimus Annus." It is because the KDH's economic program is intellectually supported by former leading representatives of the ODU's economic policies that the traces of their support of the KDH are very visible. In the KSU, we are trying to very thoroughly support just social market principles for the economy, and, in that spirit, our Council of 3 April approved an economic program. We have invited Prof. Milan Zeleny of Fordham University in New York to join in the debate on it. Our program, and not only the economic one, is thus a program of personal responsibility for Slovakia. I think it is not only the deputies in the NR of the SR, the government, or the Office of the President who have that responsibility. It is really time—and also the order of the times—for everyone who has entered politics in this way or that to bear responsibility for the fate of Slovakia. It is their duty.

### Federal

#### Fikret Abdic's Role in Politics Discussed

AU0607174693 Belgrade VREME in Serbo-Croatian  
28 Jun 93 pp 18, 19

[Article by Filip Svarm: "Babo [Fikret Abdic] Is Dividing the Patrimony"]

[Text] In Bosnia-Herzegovina, the spring of 1992 started in the same way the summer of 1991 started in Croatia. Barricades shot up like mushrooms, armed incidents increased, there were first victims—Neum, Bosanski Brod, Herzegovina.... As long as Alija Izetbegovic, Ejup Ganic, and Stjepan Kljucic discussed with Biljana Plavsic, Nikola Koljevic, and General Kukanjac about whom the Yugoslav People's Army actually belonged to and what its aims were, Fikret Abdic traveled around the country and returned home worried. It seems that only he was aware of the fact that a war was inevitable, which Alija Izetbegovic and his leadership were not, and that the Muslims would soon find themselves in the maelstrom of a war they were not able to cope with.

#### Turkeys and Politics

Fikret Abdic did not join the SDA [Party of Democratic Action] until it was already formed. He explained this laconic decision by the fact that this was the wish of the people from the Cazin region. He himself insisted that he felt like a Yugoslav. The benefit was mutual; the SDA obtained a member whose popularity in the Cazin region was equal to worship, and Abdic got firm political support for a resurrection of the "Agrokomerc" Company from the ashes, which has always been the most important thing for him. After the well-known scandal in Velika Kladusa and its damaging consequences, Babo started from scratch again. In the election of November 1990, Abdic, as one of the SDA candidates for the Presidency of the Republic of Bosnia-Herzegovina, obtained the most votes—more than Izetbegovic. In spite of that, he decided not to go into high politics; he considered turkeys in Velika Kladusa more important ["Agrokomerc" is a food-manufacturing factory].

When the war in Croatia started, "Agrokomerc" worked at full steam. The pragmatic Abdic became one of the main suppliers of the self-proclaimed Republic of Serbian Krajina. He thought that business was more important than politics, and that the things that were good for his company were also good for the Cazin region. Babo's role in helping the broken economy in Krajina was not irrelevant, and he became a very interesting personality for the security service of the former Yugoslav People's Army. Radenko Rajacic, later one of the famous protagonists of the OPERA scandal, which happened at the end of 1991, contacted Abdic on several occasions. It is known that the Yugoslav People's Army offered to buy everything "Agrokomerc" produced, poultry first of all, but it remains a mystery what "Agrokomerc" received in return. Abdic, on the other hand, showed great interest

in a meeting with General Veljko Kadijevic, which never materialized because of the pressure of the Serbian war lobby on Kadijevic, as some people think.

#### Arkan in Bijeljina

Already during the war in Croatia, there was a real crisis both in the Presidency and the Government of the Republic of Bosnia-Herzegovina. It reached its culmination when the Uzice and Titograd corps entered Bosnia-Herzegovina because the front at Dubrovnik had just opened. In one of the meetings, Jerko Doko, the defense minister at that time, asked that the Territorial Defense be mobilized and that the Yugoslav People's Army be officially proclaimed the aggressor. Stjepan Kljucic, Ejup Ganic, and even Izetbegovic shared his opinion. He was opposed only by Alija Delimustafic, the minister of internal affairs, who pointed out that the Yugoslav People's Army was very powerful and that the possible consequences could be catastrophic. The decisive support for Delimustafic came from Fikret Abdic, with the consequence that reserve police forces, with an unchanged national structure, were mobilized instead of the territorial defense.

Delimustafic's and Abdic's attitudes were accepted and praised by Biljana Plavsic. In general, both of them were considered "the most ingenious Muslims" by the Serbian leaders. There were even speculations about a coup d'etat in Sarajevo, according to which Abdic and Delimustafic, supported by the Counterintelligence Service (KOS), would replace Izetbegovic and Ganic. Although Abdic clearly refrained from these plans, he still remained an important person in negotiations. He had the opportunity to go to Bijeljina with Biljana Plavsic and Generals Brasevic and Jankovic in order to negotiate there with Zeljko Raznjatovic Arkan for three hours. Arkan gave him a self-loading gun manufactured in Croatia, asking him to give it to Izetbegovic as proof that Croats and Muslims were arming themselves with the aim of starting genocide against the Serbian people. After the talks, both of them addressed the people in Bijeljina through Radio Bijeljina, convincing them that peace had returned to their town and that they could walk around freely.

Much more important than the talks in Bijeljina was the report Izetbegovic was given by Abdic after he returned from Bijeljina. In contrast to other SDA leaders, who were engaged in the international situation of their country, Abdic was one of the rare leaders who visited the crisis areas even before the April of 1992. Therefore he was acquainted with the real situation in Bosnia-Herzegovina.

This means that he knew that the Bosnian Serbs, but also the Croats, were armed, only waiting for a spark in order to start a war. He also knew that the Yugoslav People's Army was on the Serbian side, despite opposite statements, and that the Muslims, completely unprepared for a war, were between the hammer and the anvil. For this reason he suggested accepting compromises and waiting

for better times, instead of insisting on radical solutions. Abdic's attitudes were accepted neither by the United States nor by the Presidency of Bosnia-Herzegovina. Izetbegovic and his closest friends believed that Bosnia would fall if there was no decisive resistance; that Serbia would give up its plan of spreading because of international pressure, and that the Yugoslav People's Army could not be active in Bosnia-Herzegovina because of its ethnic diversity, since the Army itself was multinational, too. Being sure of all this, they decided to answer weapons with weapons, so that Abdic found himself among a minority that supported agreements which should have prevented the war. He believed that the independence of Bosnia-Herzegovina could have been reached some time later by a slow, pragmatic and cunning policy if the balance of power had changed. The moment in which Abdic was a spark of hope for all those Bosnians who, despite everything, insisted on the undisputed positive achievements of Yugoslavia, lasted for a very short time. Deaths, killings and destruction spread to the extent that intellect became an abstract noun. Abdic, incapable of exerting influence on Izetbegovic and his policy, could have done nothing else but go back to his native town of Velika Kladusa.

#### Huska's Army

Unlike other regions in Bosnia-Herzegovina, the Cazin region did not suffer heavy losses and destruction during World War II. There was a local Muslim police there, called Huska's Army after its commander, whose task it was to protect their own villages. Depending on the war situation, they used to change sides. At the end of 1943 they joined the partisans at last, and Huska was killed a year later as a partisan colonel.

After he had returned to Velika Kladusa, Abdic's main task was to keep the peace, save the lives and homes of the people, just as Huska did during the World War II. In contrast to Huska, though, he could not have changed sides, so the conflicts with the Serbs who encircled the Cazin region became inevitable. These conflicts, however, never reached the intensity of the conflicts on most of the other fronts in Bosnia-Herzegovina, with the exception of Bihac. Abdic, a man whose word has almost the meaning of a God's revelation in this region, allowed no offensive actions. He tried to leave everybody alone if possible, but he also openly declared that he was ready to fight against any attack.

He was more or less successful. The conflicts with the Serbs were mainly led at the level of skirmishes, not a single grenade fell on Velika Kladusa, Cazin and most of the surrounding villages (except for those on the borders of the region). This means that most human lives were saved. Many people are inclined to attribute this fact to Abdic's good relations with Croatia's Serbs who had to show gratitude for Abdic's supplies during the war in Croatia. More likely is that Babo realized on time that Bosnia-Herzegovina had collapsed as a unitary state and started behaving in the way Serbs and Croats have always behaved—they took what they believed was

theirs. The Serbian Republic of Bosnia-Herzegovina simply needed a compact Muslim enclave, with which it had no major conflicts, in order to prove that this was the only possibility of ethnic coexistence in Bosnia-Herzegovina.

It was proven, however, that, except for the contacts with the Serbs, with whom he traded with fuel, food, and weapons, (the best proof is the attempt of the republic of Serbian Krajina to try smugglers from Banija, which was abandoned because of interventions from the highest positions of this self-proclaimed state) Abdic also had more than good relations with the Republic of Croatia. The convoys with humanitarian aid that were sent from Zagreb were never forced to change direction; sports and agricultural planes brought necessary weapons almost every day, and Velika Kladusa was visited by many Croatian politicians and officers, for example Janko Bobetko. The aim of their visits and talks with Abdic was formally interpreted as the need to coordinate the joint war, but since nothing happened at the front after their meetings, it has to be concluded that they discussed something else. The Croatian attitude toward the war in Bosnia-Herzegovina is well known. It is also known that President Tudjman and Gojko Susak, the defense minister, do not agree with Izetbegovic any longer, and Babo's model of the organization of life in the Cazin region has made him a potential Croatian ally in a future partition of Bosnia-Herzegovina, because this could enable them to save the face in front of the world.

#### Leader

Two weeks before he was introduced as a member of the Presidency of Bosnia-Herzegovina in Zagreb, Abdic attacked Izetbegovic's policy through Radio Velika Kladusa. Among other things, he accused him of leading a war of self-destruction, which he himself would have never made. His policy in the Cazin region is the best proof of his peaceful policy. Even before this attack, Abdic said, in interviews he gave to the Croatian press, that he did not think much of the Presidency in Sarajevo. Answering the question of whether he attended meetings of the Presidency in Sarajevo he answered that he did not because he had much more important things to do at home, adding that he could be reached any time via satellite telephone if they needed him.

Now, when the Vance-Owen plan is dying and the Croatian and Serbian regimes are showing their cards, Abdic has become practically the only personality who could overcome the gap created by the incapability of the international community to insist on a unitary Bosnia-Herzegovina and Izetbegovic's rejection of any kind of its partition. He is the only politician who can approve of a partition since it is considered that the majority of Muslims, after the massacres they were exposed to, would be ready to live in the regions that have not yet been occupied by the Serbs and Croats. Babo's Krajina is offered to them as a model.

However, no spectacular change in the Presidency of Bosnia-Herzegovina can be expected. As long as most Muslim politicians traveled around the world asking for help, Babo performed painstaking work in his region and knows therefore, pragmatic and energetic as he is, that the Army of Bosnia-Herzegovina, loyal to Izetbegovic, is a big obstacle and that he cannot achieve anything, no matter what function he has or which document he has signed, unless all relevant factors agree. Abdic will certainly try hard to avoid an open conflict with Sarajevo and to get rid of the burden of being the main protagonist.

He will probably decide to take a series of small steps and compromises both toward Sarajevo and toward all other parties in the conflict in Bosnia-Herzegovina. If he becomes leader, this will happen at the moment when he assesses that such a move is opportune.

Like he was a thin ray of hope that the worst would be avoided at the beginning of the war, Fikret Abdic is today a thin ray of hope that some kind of peace will be achieved in the end. At the beginning of April, his theses were interpreted as his acceptance of Serbian domination of Bosnia-Herzegovina, but his possible acceptance of the plan by Tudjman and Milosevic now means that he is supporting a partition of Bosnia-Herzegovina. It can hardly be believed that Babo is not aware of this.

#### **Relations To Be Normalized With Former Republics**

93BA1125F Belgrade POLITIKA in Serbo-Croatian  
31 May 93 p 14

[Article by B. Radivojsa: "A New Offer of Cooperation With the Former Yugoslav Republics"]

[Text] *The federal government affirms its readiness to normalize relations with the former republics of the SFRY*

As has been reported, the federal government recently affirmed the basic directions of foreign policy activities of the FRY. On this occasion relations with the new states on the territory of the former Yugoslavia were also reviewed. The government, as was announced, particularly emphasized the "importance of establishing contacts and the development of cooperation on concrete economic and other questions of mutual interest with the newly founded states" and again affirmed its readiness to give further concrete proposals and initiatives aimed at normalizing mutual relations.

With this, when our former "brother republics" are in question, the government is obviously emphasizing its good intentions once again to cooperate with the new national entities in the Balkans, especially economically, since all have great interest in this. Cooperation is possible with everyone, in that the states in which there is peace have an advantage, therefore, Slovenia and Macedonia. Endeavoring to show that it is disposed to cooperation and to the fastest possible establishment of normal relations, the SRJ recognized the Republic of

Slovenia back in 1992, but it was shown that the Slovenes are not interested in such normalization. They replied almost insultingly to this recognition.

As far as the other republics, the states recognized in the United Nations, Bosnia-Herzegovina and Croatia, are concerned, the situation is more complicated. War is still being waged in both republics, so the establishment of normal relations and possible economic cooperation are limited by this.

Nevertheless, Yugoslavia is very interested in economic cooperation in these areas, because this would be the first link for the return of our country to the world economic community. And when the FRY begins to trade with these new neighbors of ours, to renew transportation and economic connections, then other relations would also be normalized much more quickly.

Moreover, the EC is interested in restoring the economy in these areas. However, naturally, the war must first be stopped and minimal political conditions for cooperation much be created.

Incidentally, the Assembly of the FRY will also discuss soon the foreign political activities of the FRY and, within the framework of this, relations with the newly created neighbors.

#### **Retired Vice Admiral Defends War Record**

93BA1127C Belgrade BORBA in Serbo-Croatian  
2 Jun 93 p 14

[Interview with retired Vice Admiral Miodrag Jokic, by Dragan Todorovic; date and place not given: "Miodrag Jokic, Retired Vice Admiral, on Charges That He Was a War Profiteer and Poor Commander: I Prevented Looting on the Battlefield"]

[Text] *Recently, after the charge leveled by Seselj against General Zivota Panic, retired Vice Adm. Miodrag Jokic was also mentioned in reports published in one daily newspaper, as part of a package of several high-ranking naval officers. He was called a war profiteer and a poor commander, because he "used military trucks to transport furniture, technical equipment, and even dishes from the battlefield to his weekend place at Valjevo." Mr. Jokic says in an interview with BORBA that he is convinced that there are other goals behind this attack on high-ranking VJ [Armed Forces of Yugoslavia] officers and on him personally.*

[Jokic] It is probable that the protagonists of this offensive against army officers, after the "Opera" disaster, need an "operetta" in order to settle scores with those who do not share their extreme political convictions. They have to bully the uncommitted and return the lost positions. I invite the public and its protagonists, in the form of NOVOSTI, which I will accuse of immorally giving room to people of low goals, to pay a visit to the well-known Vrujci spa near Mionica, where refugees



were housed, and the Lajkovac Agricultural Cooperative, to see the furniture and equipment with proper documentation, lists, and paid accounts issued by the Administration for Civilian Affairs of the SSNO [Federal Secretariat of National Defense]. They can also see my weekend house, which I have been building for 13 years, as well as the furniture in it.

#### Dishonorable Goals and Motives

You see, they are attacking me, who was an operative commander, and thus at the first line of the front. And I was the first one to organize local commands in order to prevent the looting and theft that I encountered, but which was done especially by volunteer units. After my insistent demands that the SSNO form a command for civilian affairs, this was in fact done, after two months, around 15 December. It was precisely that Administration for Civilian Affairs that collected what is known as "war booty." Actually, it collected material goods in the occupied territory and independently disposed of them. These goods were sold at auctions, and distributed especially to refugees, or rather to hotels and resorts where they were being housed. All of this happened through this Administration, and it answered to the SSNO, or rather to the assistant behind the scenes, Gen. Sljivic, and with regard to some elements, its formation, to the Third Administration and Gen. Domazetovic.

It is odd that people who write about this do not mention this Administration, nor the people who made the decisions. There are statistical data, they even approved goods, sent them out, and paid for them. This alone indicates their dishonorable goals and motives.

[Todorovic] There is also talk of paintings that disappeared?

[Jokic] As far as references to these paintings are concerned, I do not know what all this is about. I personally did not take so much as a calendar from the battlefield. I conducted a landing at Kupare, after which evacuation was ordered, because there was plenty of military property there. Based on decisions by the SSNO commission, this property was distributed primarily to corps in Bileca, Podgorica, Kumbor.... This was irregular but it was not looting, because the commissions determined where the things went. There is documentation on this.

At Tito's villa in Kupari, I learned this only later, there were paintings, 10 or 12 of them, by a famous Herzegovinan artist whose name I cannot recall. These paintings disappeared. Because of that, I personally asked that the Security Administration send in a commission to determine where they are, which did not happen. The press wrote about the paintings found in Zaton Veli, by a Dubrovnik painter. They were moved to the hotel "Vinograda" in Herceg Novi. There they were kept by the Military Administration for Civilian Affairs. They were shown to me by the commander of that Administration, Col. Pipovic. Where they are, I do not know, he said that he would send them to the SSNO.

#### Unnecessary Devastation

[Todorovic] The war plundering was "uncontrolled." Many people have gotten rich by waging war.

[Jokic] Yes. Volunteer units were formed in a hurry, in very little time. Medical exams were not given and selection procedures were not observed, so that criminals and sick people were also accepted. In one brigade, which had performed its missions very well, we conducted a triage and discharged 30 percent of the personnel—all those who had fired at villages unnecessarily and to a massive extent, who were caught looting or were running away from home.... Afterwards, the situation in that brigade was much better.

[Todorovic] You are also accused of poor commanding, mention is made of concrete situations, and you are reproached for "peace-loving" behavior.

[Jokic] The allegations raised about combat activities at Dubrovnik, the well-known episode of the attack on Bosanska and Srdj, where we had 10 casualties, are unfounded and not based on facts. As far as the quality of the conduct of war is concerned, I do not want to evaluate the commanding on the southern front. It is inappropriate for some sergeant, reservist, or volunteer to talk about that. An analysis must be conducted. The fewest problems, and casualties, were on the southern front, because we went very quickly from Debeli Brijeg to Slani. It is known how the combat activities were carried out. Aside from the devastation that was the result of direct combat, we have no transgressions behind us that could be the subject of criminal or military law.

Our side has alleged that I did not wage war firmly enough. This is the assessment of protagonists of the war-mongering policy, who appreciated commanders who said that they would destroy Dubrovnik, clear everything out as far as the Neretva River, Split..., who waged war with bombastic statements, while in practice unnecessarily subjecting individual parts of cities where there was no counteractivity to destruction. I do not want to judge others, nor to defend myself, but the facts speak for themselves, and the time of objective analysis will come. It will be seen whether certain cities had to be destroyed or whether they could have been captured in a different way. For example, I took Cavtat without destroying it, simply with reconnaissance scouts. The same with other locations, towns, and small cities. Because it was not necessary to pound them with artillery if there was no counteractivity. Anyway, let all this be judged by those who are competent and by history, not people in the political ranks.

Just how serious the attitude of individual politicians toward the war was at that time is illustrated by the following example. One well-known politician (Vucurevic, ed.) told me that if Dubrovnik does not surrender, then it must be destroyed and flooded, while several others said that the ship "Slavija" should be taken to Zelenik, and Mesic should be taken from the

ship, imprisoned, and shaved.... Or this Vucurevic again. When I arrived in Konavle, it was hard for me, as a commander of many years and as a person, to see that burned-out scene. When I expressed my sorry, he told me, "Admiral, remember, Konavle has never been more beautiful."

[Box, p 14]

#### Retired Without Promotion

Vice Adm. Miodrag Jokic was retired in May of last year at the same time as 40 other generals, from the post of operative commander of the Boka Naval Sector. For many, especially those who had a more constructive view of the Yugoslav crisis, his retirement at age 57 came as a surprise, because the admiral preferred political solutions to military ones.

During his successful military career, Vice Adm. Jokic was also Serbian minister of defense, from 1989 to July 1991. He was removed from that post, without any explanation, when it was discovered that he was not a party member, and he was returned to the command of the Boka Naval Sector. There he was retired, suddenly and without promotion.

"I regarded that," Jokic says, "as some sort of disagreement, or punishment, whichever you prefer. I probably was not to the liking of those who were making political decisions about how to wage the war. That was when Kostic was vice president of the Presidency, and those who were in the more moderate wing were not very capable."

#### Results of Public Opinion Poll in FRY

93BA1169B Belgrade VREME in Serbo-Croatian  
21 Jun 93 pp 26-29

[Article by Milan Milosevic: "Barometer of Spite"]

#### [Text] Public Opinion Survey

The Center for Political Science Research and Public Opinion of the Social Sciences Institute of Belgrade University (IDN) conducted a public opinion survey in the FRY (not including Kosovo and Metohija, where the conditions for surveying do not exist) on a quota sample of 2,000 respondents, 1,500 of them in Serbia and 500 in Montenegro. The sample is representative of the population over age 18 with respect to occupation, sex, age, place of residence, and, in mixed communities, in its ethnic composition.

The survey was conducted by Ljiljana Bacevic (director of the survey), Dragomir Pantic (methodologist), Dijana Vukomanovic, Zoran Lutovac (organization of the survey), and Stanislav Fugelj (programmer). VREME cofinanced this survey. The survey was conducted from 24 April to 9 May 1993.

Yugoslavs are living in a strange paradox: They are having a hard time surviving the galloping crisis, but

there is little they would change in order to overcome it. In their assessment of whether civil war might break out in Yugoslavia, only 13 percent declared: "Not likely at all." More than a third of those who believe that there could be war mention poverty and unemployment as the most likely cause of its outbreak.

In a country under sanctions, which has been steeped in fierce ethnic emotions, prejudices, and political violence, the respondents nevertheless show greater fear of social conflict than of ethnic and political conflict. All of 49 percent of those surveyed declare that their own financial situation is much worse than last year, and 37 percent judge that it will be still worse in the coming year. According to another datum, in turn, it seems that their dissatisfaction is not conflict-oriented, because it is not directed against any other social group: 60 percent of the respondents judge that their own position is "the same as the majority." Pensioners and housewives represent a certain exception.

Slightly less than a third of the respondents judge that the Albanians in Kosovo and Metohija could cause a civil war. Is there a desire to mitigate the conflict? Over 70 percent of the respondents would allow the right to establish associations for preservation of tradition and culture, about 64 percent would allow instruction in the native language; however, 50 percent of them do not agree at all with the Albanians having the right to a university in their own language, and 71 percent sharply deny the right to autonomy for Kosovo and Metohija.

#### Xenophobia

Judging by the attitude of members of other tribes, fellow citizens of a different nationality, toward other nationalities, the state of the nation's spirit is unquestionably xenophobic. Ljiljana Bacevic said in an interview with VREME that this phenomenon has been showing up relatively recently in our surveys and that the results actually indicate a tumultuous transition from a lack of xenophobia and openness to the world toward xenophobic reaction. Often these are inconsistent and internally contradictory views, which actually reflect the general confusion society is in.

A survey of public opinion in October 1992, which was also taken by the IDN, showed that only 10 percent of the inhabitants of Serbia do not suffer from xenophobia and that all of two-thirds of the respondents are to varying degrees xenophobic. Judging by this survey done in May 1993, xenophobia has seized even three-fourths of the population and is gaining in intensity. A majority of the peoples in the world are given negative marks, all international organizations are hostile, only we are strong and good....

In the May 1993 survey, a very unfavorable position was expressed of Croats (61 percent of the respondents), of Croats in Bosnia and Herzegovina (58 percent), of Macedonians (29 percent), of Muslims in Bosnia-Herzegovina (65 percent), of Muslims wherever they may be (59

percent), of Slovenes (44 percent), of Albanians (67 percent), of Hungarians (43 percent)....

The Serbs, so it seems, are ethnically more exclusive than the Montenegrins. For example, 39 percent of the respondents in Serbia favored a multiethnic community, while in Montenegro this figure was 46 percent. The assertion "Yugoslavia is only for Serbs and Montenegrins" was absolutely not agreed to by 51 percent of the respondents, but "most firmly" supported by 13 percent of the respondents. Even though in certain responses unqualified xenophobia was expressed, most of the respondents (41 percent) nevertheless gave the highest positive points to the assertion that differing nations can live together in harmony; and much fewer (18 percent) were close to the judgment at the opposite pole—one nation should constitute one state.

#### Why Are They Fleeing

Everyone has the right to live where he wishes in the opinion of 85 percent of the respondents, and only 7 percent said that a nation has the right not to allow any other nation to live on its territory.

The perception of the troubles of the war refugees, however, is rather wide-ranging—most of the respondents say that the Serbs are fleeing under pressure, and the Muslims and Croats from the war.

The Serbs are fleeing from Bosnia under pressure (47 percent of the responses), they are fleeing from the war (44 percent), while 2 percent of the respondents believe they are fleeing voluntarily.

The Muslims are fleeing under pressure in the opinion of 22 percent of the respondents, 56.8 percent believe they are fleeing from the war, and 10 percent that they are fleeing voluntarily. The Croats are fleeing under pressure in the opinion of 19 percent, fleeing from the war in the opinion of 56 percent, and fleeing voluntarily in the opinion of 10 percent.

#### Narcissism

Of all the peoples in the world, the most favorable marks go to the Serbs (57 percent of the synthetic responses concerning collective features), the Montenegrins (44 percent), the Serbs in Bosnia-Herzegovina (45 percent), and the Serbs in Croatia (43 percent).

If we look at the concentration of the responses around the most extreme variants on the scale of good and bad and so on, in the perception of Yugoslav citizens Montenegrins are honest, judging by 60 percent of the maximum positive grades, strong (37 percent), nonviolent (45 percent), good (50 percent), and fair (53 percent).

The Serbs are also honest (57 percent), strong (41 percent), good (53 percent), fair (53 percent), and nonviolent (45.4 percent of the best grades and 23 percent of the moderately favorable grades, while only 8.5 percent of the respondents circled the answer closest to the poll "violent," which is half the frequency for the Russians,

one-seventh the frequency for the Americans, and one-eighth the frequency for the Germans).

#### White, Yellow, Black, Ugly, Dirty, Evil

In May 1993, those countries in the world, which is abhorrent anyway for Yugoslav citizens, most favored were Greece (50.7 percent of the most favorable grades) and, for certain reasons, Japan (48 percent). Canada, China, Romania, and Russia joined them with 30 to 40 percent of somewhat more restrained favorable assessments. The October (1992) public opinion survey of the IDN also showed that the respondents had a very unfavorable opinion of almost all states in the world, except to some extent Greece, China, Romania, and Russia. The mechanism, the researchers say, is classic—their own aggressiveness, evoked by frustrations, is projected onto others. Many peoples are covered by stereotypes, and the effect of contrast then turns those rare little friends into big friends.

Judging by the reports of the poll-takers, in assessing the various peoples the respondents hesitated over whether to assess them or their states. In any case, before that they had expressed very negative opinions concerning the states: Albania (concentration of negative responses -75), Austria (-64), Bulgaria (-46), France (-30), Croatia (-75.9), Italy (-31), Hungary (-46.4), Macedonia (-32), Germany (-72), United States (-55), Slovenia (-52), Turkey (-77), and Great Britain (-37).

In evaluating nations, the respondents were allowed to choose one of four variations on a scale of "honest-dishonest," "strong-weak," "nonviolent-violent," "good-bad," and "fair-unfair." Here is how the responses were concentrated:

The Germans are an evil which the country cannot tolerate: dishonest (61.5 percent negative marks), bad (59 percent), unfair (64 percent), strong (55 percent), violent (73 percent); only 4 percent believed that they are nonviolent.

The Americans are dishonest (47 percent of the most negative responses), violent (60 percent), bad (40 percent), unfair (53 percent); but on the other hand they are strong (65 percent).

The Russians are moderately honest (38 percent of the most favorable marks along with 31 percent of the mark "very good"), strong (52 percent of the most favorable), nonviolent (35 percent), good (39 percent), and fair (33 percent); but not like the Serbs....

#### Who Might Attack Us

It is likely that someone could attack Yugoslavia in the opinion of 55 percent of the respondents. This will be done by NATO in the opinion of 34 percent, the United States 21 percent, Turkey 21 percent, Germany 10 percent, and the United Nations 7 percent.

Citizens of Yugoslavia are expressing the greatest mistrust of the EC (65 percent), the CSCE (64 percent), the

United Nations (58 percent), and NATO (69 percent), and, among domestic political institutions, the Serbian Assembly (32 percent) and the Serbian government (32 percent).

The United Nations has done too little in their attempt to halt the conflict in Bosnia in the opinion of 47 percent of the respondents; they should not be involved in the opinion of 25 percent. The percentage of those who think that international mediation should not be agreed to at all in order to stop the war in Bosnia and Herzegovina (47 percent) is higher than the number of those who believe that international mediation is indispensable (31 percent). Russia has done too little in the opinion of 46 percent, while 28 percent feel it should not be involved. The European Community, in the judgment of 42 percent of the respondents, should not be involved in resolving the conflict in Yugoslavia, and neither should the United States in the opinion of 56 percent of them.

The airdrop of humanitarian aid to Bosnia called "Parachute" is not approved by 50 percent of the respondents; 43 percent feel that the Serbs have the right to stop UN convoys because the United Nations is helping the Muslims, and 46 percent opt for the more moderate variant: "The Serbs have the right to monitor the content of the convoy, but not to prevent passage of convoys across their territory."

#### All or Nothing

The Vance-Owen plan would not guarantee lasting peace in Bosnia and Herzegovina in the opinion of 62 percent of the respondents; 30 percent say the Serbs should hold all the territory in Bosnia and Herzegovina; and 43 percent advise that they should abandon part of the territory, but not all that is proposed by the Vance-Owen plan. (The polling was done, incidentally, during the drama of the difference between Milosevic and Karadzic; the researchers noted that public opinion "bends" to conform to Milosevic's decisions: At the outset, it was more against, but afterward more in favor of the Vance-Owen plan.)

In the opinion of 23 percent of the respondents, Yugoslavia should fulfill the demands of the United Nations aimed at halting the armed conflicts in Bosnia and Herzegovina, while 18 believe that it should not; 22 percent believe that Yugoslavia has fulfilled those demands, and 25 percent feel that it is not responsible for the conflicts. If any of their closest relatives were asked to go to fight for the rights of the Serbs in Croatia and Bosnia, 38 percent of the respondents would be opposed and 37 percent say that they would accept this as a patriotic duty. At the same time, on the other hand, 37 percent of the respondents believe that the (Yugoslav) government should devote great attention to protection of the Serbs outside Yugoslavia; 14 percent are closest to the opposite answer—that we have too many problems of our own to be concerned about the Serbs outside Yugoslavia.

At the same time, 44 percent of the respondents say that everything should be done to terminate the sanctions toward Yugoslavia, and 40 percent feel that we should not give in to pressure.

#### Without Asking

"We should be ready to fight for our country without asking whether it is right or wrong"—30 percent agree entirely with this assertion, 18 percent agree partially, while 25 percent do not agree at all.

"In our country, there is no place for those who hold something against it"—37 percent of the respondents agree entirely with this assertion and 20 percent do not agree at all.

"There are territories in neighboring countries which actually belong to us"—23 percent completely and firmly believe this, 18 percent of the respondents mainly agree, while 24 percent do not agree with this assertion at all.

"People in neighboring countries think that some parts of Yugoslavia belong to them"—12 percent agree completely and 51 percent do not agree at all. (Here, it seems, there is confusion because of the exaggerated reaction; it follows from the context that this "do not agree at all" is perhaps a disagreement with claims against Yugoslav territory, not denial of the existence of those claims.)

#### Serbian and Montenegrin Separatists

With respect to confidence in Yugoslav institutions, the respondents from Montenegro are more critical than those in Serbia; identification with Yugoslavia is somewhat stronger in the Montenegrins, but those differences are not very essential. It is the opinion of 62 percent of the respondents that Yugoslavia is the best solution for Serbia and Montenegro, and that percentage does not differ much between these two republics (61.7 percent in Serbia and 62.5 percent in Montenegro).

It is of interest that the percentage of secessionists does not differ much in Serbia and Montenegro. It is the opinion of 10 percent of the respondents from Serbia and 0.5 percent from Montenegro that it would be better for Serbia to be an independent state. At the same time, 15.4 percent of the respondents in Montenegro and 3 percent in Serbia think that it would be better for Montenegro to be an independent state.

#### Trust in a Uniform

The trust of political institutions is low, but the greatest trust is enjoyed by the Yugoslav Army (28 percent) and the Yugoslav police (20 percent). The CSCE (2 percent), the United Nations (4 percent), and NATO (3 percent) enjoy the least.

It is the opinion of 24 percent of the respondents that foreign countries, foreign politicians, and international organizations are most to blame for the belief that Serbia bears most of the blame for the war in Bosnia and



Herzegovina, while 10 percent believe that the foreign media are responsible for this (because they are not objective, because they do not understand the situation, because they are superficial and biased). It is the opinion of 55 percent of the respondents that the foreign media are biased in portraying events in Bosnia and Herzegovina, while only 5 percent judge that they are unbiased.

Ljiljana Bacevic says that it is precisely concerning the key issues such as the war in Bosnia, for example, that one sees that public opinion is sharply polarized "for" and "against" (the sociologists call this "normal distribution on a U-curve"), while at the same time certain views of the respondents are often mutually contradictory. In the "good old times," Yugoslav public opinion was "majority" opinion—as a rule, it opted "for" in "plebiscite" fashion. Statistically, the responses were concentrated around the median curve, the sociologists say "distribution in the form of the Latin letter L or letter J. The responses were of moderate intensity and relatively consistent, but they also derived from basic commitments.

The present contradictoriness of the responses (it follows from some that everything should be done to remove the sanctions and from others, in turn, that practically nothing should be done) actually indicates the confusion through which society is going. Referring specifically to the impression left by these preliminary results, she says that the public is having a hard time under the sanctions, but that it obviously does not associate their removal with the prevailing policy.

Only 10 percent of the respondents feel that the SPS [Socialist Party of Serbia] and Slobodan Milosevic are responsible for the war in Bosnia, and this politician is given a "very favorable" grade by most of the respondents (33 percent), while 25 percent of the respondents judge him to be "favorable to some extent." This means that this politician has a better rating than he did in the elections in December 1992. The survey shows that the opposition mood in Serbia and Montenegro is dying out, in spite of the fact that dissatisfaction with the government is a majority phenomenon. It is still an enigmatic irrationality why widespread dissatisfaction is not evident on the political plane. Perhaps the answer was given by that peasant who said that he would vote for the opposition when it came to power.

[Box, p 29]

### Radicalism in the Saddle

Violence is growing in the streets and in parliament. One-sixth of the respondents foresee a conflict between the incumbent party and the opposition. One-tenth of the respondents see the Serbian Radical Party [SRS] and Vojislav Seselj as possible instigators of civil war. It is interesting that the respondents in Montenegro mention this possibility three time more frequently than respondents in Serbia (21.8 percent of the respondents).

Dragomir Pantic made an index of 15 components, a kind of balance sheet of content and identification with assertions, individuals, with which he attempted to elucidate the structure and spread of radicalism. Radicalism is preceded by instrumentalized hyperpatriotism, and it is characterized by intolerance and authoritarian attitudes, rejection of the world, justification of ethnic cleansing, allegiance to assertions not to give back what has been captured.... Radicalist orientation is expressed by those who place ethnic identification above others (Serbs, those who are strongly Orthodox), those who feel that Yugoslavia is only for the Serbs and Montenegrins, who support territorial claims against other countries, who like ostracism.

The strongest radical orientation is in those who esteem the leader of the Serbian Radical Party, in those who never voted for Depos [Democratic Movement of Serbia], but also those for whom the Serbian Radical Party is "in the shadow," the second party they would vote for. People of this orientation believe that Yugoslavia can last for a long time under the sanctions and by no means should submit to pressures, they are supporters of ethnic cleansing, they are against any foreign intervention in the strongest terms, even in the case of the United Nations. They give strong support to the departure of volunteers for Bosnia. They believe that Yugoslavia is the best country in the world, but that this is a state only for Serbs and Montenegrins.

A third of the population is disposed against the Radicals, slightly less, about 31 percent, are ambivalent Radicals, but all of 38 percent of the population are latent Radicals.

When we add up the percentage of manifest Radicals (11 percent) and the percentage of fanatically manifest Radicals (6 percent), we get the election result of a party.

The profile of the latent Radicals is this: Strata that are not well-off financially, those whose position is socially threatened, from the suburbs or in transition from country to city, but to a large extent skilled workers as well. Above-average radicalism has not been recorded in rural areas. Regionally, the researchers found their concentrations of radicalism in Belgrade, which was a surprise to the researchers, in Smederevo, which confirmed the election result, and in Zrenjanin. In Vojvodina, there is obviously a very sharp division: The fanatically radical and antiradically disposed are above average, and there are fewer of those who are ambivalent than in other places.

This figure agrees with the findings of Dr. S. Brankovic of the Institute for Political Studies, who in a survey two months ago merely adapted assertions from Hitler's speeches to conditions here in order to measure the spread of fascism.

**Commentator on 'Absurdities' of Bosnian Conflict***AU0307162593 Zagreb VECERNJI LIST in Serbo-Croatian 15 Jun 93 p 2*

[Commentary by Milan Jajcinovic: "Increasing Number of Absurdities"]

[Text] Another cease-fire or even more fierce fighting? That is the only dilemma now facing Bosnia. Only the French General Morillon is not in a dilemma. If there is to be no cease-fire, he announced that he will withdraw UN soldiers from Bosnia-Herzegovina.

We should really trust General Morillon this time. It is very important for the world to get out of Bosnia, but also to make it seem, before the eyes of their own public, justified and even honorable. Cease-fire violations will be a welcome alibi for the withdrawal to political gods. If the French general is a man of his word, that is, if his is the last word, then we should expect the withdrawal of UN soldiers from Bosnia-Herzegovina. Why? Because there will not be a cease-fire, because the war will not end, but it will continue. If the Serbs were, at one point, those who imposed the war and dictated its pace, then the Muslims are doing that today. After 200,000 dead and the loss of most of the territory, they do not want any cease-fire. Coming to their senses after the first shock—after they suffered another massacre and the loss of territory—they have no other option but to make war.

The Muslims today are not what they were yesterday. The Croats used to give them weapons to fight the Serbs. They did not want to. Today they are fighting against the Croats! The Muslims are expelling the Croats who are accepted by the Serbs! These are the Bosnian absurdities, which are difficult to comprehend, especially for foreigners. However, no matter how absurd they are, they are truly Bosnian. Generally speaking, the Muslims did not want to fight the Serbs together with the Croats, believing that the Serbs will spare them because of that, saying that the Croats wanted to get them involved in the war against the Serbs. From a more intimate alliance with the Croats, with an omnipresent, but never admitted fear of "annexation," they were probably turned off by the idea of the creation of Herceg-Bosna. Especially the way in which that idea was made concrete "in the field": Croatianizing everything, from license plates to the foundation of the Croatian University. A little bit more sensitivity and tolerance from the Croatian side—even the official Bosnia-Herzegovina flag with the lily was ignored, as if that is not a part of Croatian cultural heritage in Bosnia-Herzegovina too!—would probably not turn the relationship between Croats and Muslims into the land of milk and honey, but it would definitely not make it worse.

The relations between Croats and Muslims in Bosnia-Herzegovina has reached the lowest point of tolerance. Lower than the one in the Ottoman times. The Muslims are, of course, not innocent in creating the present condition of bad blood. Once again, as in many times in history, they showed that they did not resolve their basic

dilemma: who and what they are. The problem of identity always leads to the point where one cannot solve even the most fatal dilemma, i.e. who is the enemy and who is the friend (or, if not a friend, then at least an ally). By their recent exile of Croats in Bosnia, the Muslims have most probably crushed that which—since the Bosnian begs visited Ante Starcevic [19th century Croatian politician and writer]—was imposed as an option, and taken as benevolence toward the Muslims in the collective Croatian consciousness. That centuries-long inclination could now grow into its opposite.

The conflict between Muslims and Croats could be fatal not only for their mutual relations, but also definitely for Bosnia-Herzegovina. That conflict could lead to more Bosnian absurdities, if the Muslims make an alliance with the Serbs instead of the Croats, or if the Croats make an alliance with the Serbs. In any case, Bosnia will be too small for the third party. It might happen that the Muslims turn against both the Serbs and the Croats. For the time being, they are only against the Croats! The offensive against the Croats is motivated by the attempt to seize arms factories in central Bosnia. The Muslims are now holding the factory in Konjic, they are fighting for control of the factory in Novi Travnik, and they will probably soon attack Vitez, too. If these intentions are realized (they are already making weapons in the iron works in Zenica), the Muslims will create military prerequisites for the continuation of the war against "the chetniks" and "the ustasas." That could mean years of war.

Withdrawing the UN soldiers, inert and cynical rulers of the world will officially open the doors to total war. After the war, nothing will be the same in Bosnia-Herzegovina. And it is debatable whether Bosnia-Herzegovina itself will then exist at all.

**Data on Jugoskandik Funds Given to SPS***93BA1170A Belgrade POLITIKA in Serbo-Croatian 19 Jun 93 p 10*

[Article by Goran Volf: "How Much Money Did Jugoskandik Donate to the Party"]

[Text] The Jugoskandik empire is crumbling, and the District Economic Court in Belgrade has instituted temporary measures in all enterprises which belong on any basis to any of the Jugoskandik firms so as to prevent any further swiping of property and its illegal distribution, often under cover of darkness and only for the select few.

All property inventoried by the commission established by the court would be part of a possible bankruptcy estate from which creditors would be settled, among whom deceived depositors are the most numerous. Aside from the two TV stations, whose fate is extremely uncertain, but which are not worth much, Jugoskandik has loaned capital on various bases to various enterprises, but also placed capital in the Socialist Party of Serbia [SPS], and did so immediately before the election.

That is what Jezdimir Vasiljevic referred to as "government graft" in his exhibitionist statements to the public made from safety abroad.

#### The Amount in Dispute

The SPS of Belgrade and leaders of the city committee have not denied this, but, as is well-known, they have rejected every possibility of the money having been extorted. There has also been a public dispute as to the size of the amounts, actually the property of the depositors, that went to the incumbent party to prepare the election campaign. Figures mentioned have ranged from 200,000 German marks [DM] to 440 million dinars at that time. The SPS also adopted a decision to return that money to Jugoskandik, and until that time it has been deposited in the vault of Beobanka so as not to lose the value of interest accruing on it on the money market. The answer to the deputy interpellation in the Federal Assembly as to what happened to that money is still awaited.

"Vasiljevic is a donor of the SPS, and all agreements in that connection went through me, because I was his best man and close associate," Miodrag Vujovic, lawyer and co-owner of Jugoskandik's two TV stations, but also a member of the Executive Committee of the Belgrade City Committee of the SPS and chairman of the Commission for Financial Affairs and Materials, announced immediately after Vasiljevic's flight from the country.

However that might be, according to the Law on Political Organizations, it is prohibited for business firms to finance political parties. That is probably why some people are saying that Vasiljevic donated the money, but there are written documents that most of the money was paid from an account of Jugoskandik. The SPS has not opened its business books for public scrutiny and has proclaimed them a "trade secret."

#### Black Days for the Depositors

According to the interpretation of lawyers, a check will be made to see whether Jugoskandik had contracts with the SPS concerning this money, and, if so, whether the obligations under the contract have been performed. If, say, the SPS did not fulfill its obligations, the money would have to be returned and would possibly become part of the estate for distribution among the creditors. If it was all given without a basis, then again it must be returned. Meanwhile, the depositors are waiting to see what will be the ultimate destiny of Master Jezda's empire and what part of what they deposited they will be able to get back. And the business firm of the gentleman who ran for president in the last election, promising the old foreign exchange depositors their money, and who now cannot pay even what he owes, according to reliable sources, probably paid the Ministry of Transportation and Communications of the Republic of Serbia 131.5 million dinars on 27 October 1992. This was allegedly intended for the purchase of foreign exchange. If Jugoskandik, at that time well-known precisely for its large

treasure of foreign exchange, actually bought foreign exchange from that ministry, then it received DM175,000 at the black market rate at that time. We have not been able to find the paper trail to indicate that Jugoskandik actually received them, but it should be borne in mind that the business books are in great disarray and that is why preliminary proceedings were in fact instituted to establish whether Jugoskandik should go into bankruptcy.

A day later, Jugoskandik is said to have paid the same ministry another 180 million dinars, which was worth about DM240,000. On 29 October, another 465 million dinars were paid in; converted at the black market rate at that time, that was about DM620,000. All the amounts of foreign exchange are relative and depend on the exchange rate used in the calculation. At the exchange rate recognized by the government, it is all much, much more valuable from the standpoint of foreign exchange.

Early last November, the financial police finally began to monitor Jugoskandik, Dafiment Banka, and Karic Banka. Why precisely that moment was chosen to reinspect what should have been inspected much earlier probably will remain a secret. Hundreds of thousands of innocent people had already stored their "white money for black days" in the vault of Jugoskandik. Those were in fact black days, but still blacker days were to come. For the depositors, it all went from bad to worse.

And television was carrying spots of the presidential candidate with a hat and a white pipe. Someone else won.

#### High Taxes

According to certain figures, on 17 November 1992 Jugoskandik paid another 70 million dinars into the account of the Socialist Party. That was worth about DM127,000 at the time. A day later, it paid another 50 million dinars, or about DM90,000. The SPS also became 60 million dinars, or about DM145,000, richer on 19 November.

The same sources say that on 20 November in that same election year, 1992, the Palilula District Unit of the Public Revenues Administration sent a request that was not substantiated to Jugoskandik to pay all of 2 billion dinars as a tax on savings deposits, but not on foreign exchange deposits, but dinar deposits. We do not know how many witnesses someone might be able to bring together, but it is certain that they would not fit even into the largest courtroom, and they would all confirm that very few people deposited dinars in Jugoskandik. At that time, Master Jezda was keeping interest rates low on dinars deposited, only 40 percent per month. According to certain estimates, Jugoskandik did not have that many dinar payments throughout all of last year, but the tax requested amounted to more than DM3.125 million. Vasiljevic is said to have refused to pay it all. The same amount, according to those stories, was also requested from our other largest private bank, which allegedly paid it all.



For the purpose of "transfer of funds," with no other explanation whatsoever as to what the money was intended for, Jugoskandik, according to certain assertions, paid another 20 million dinars that same day, or about DM36,000, into the account of the SPS, reliable sources say.

Finally, on 24 November Jugoskandik became poorer by about 70 million dinars, the amount by which the incumbent party became richer, which is about DM110,000.

These are not all the payments which Jugoskandik made into accounts of other business firms or government organizations, and which, it is suspected, were not in conformity with the law and ought to become part of the bankruptcy estate from which those injured in this large financial and political scandal would be paid. Nevertheless, the court has to check out all of this and make legal decisions concerning it.

### **New Federal Law on Trade Passed**

93BA1124D Belgrade POLITIKA in Serbo-Croatian  
4 Jun 93 p 11

[Article by M. C.: "Sharper Penalties for Businessmen"]

[Text] *New interest penalties will be 1.2 percent higher than the daily rate of inflation. New evidence of crimes against the Serbian people sent to the United Nations*

According to the new Law on Trade, established yesterday by the Federal Government, federal powers will be greater than republic powers in the future. The overall supervision or inspections for trade in the unified market of Serbia and Montenegro will be carried out by federal inspectors.

In a conversation with reporters after the meeting of the Federal Government, Minister for Trade Miroslav Ivanisevic referred particularly to the new penalties directed at businessmen who speculate in goods and prices or even bring about artificial shortages. There will be various specific sanctions of economic force such as a prohibition on engaging in business activity, a public announcement of verdicts, rigorous punishment on the spot... In the judgment of Ivanisevic, the intention of the state is the protection of the health of competition and the elimination of monopolistic abuses.

This federal law also calls for price policy to switch completely to federal jurisdiction. This process will be carried out gradually. Up to the final solution of this problem, the republic governments will decide on freezing prices for milk, electric power, rail transport, and other elements necessary for everyday life.

The Federal Government also confirmed the proposed law on interest penalties. It was proposed to the assembly that interest penalties, calculated daily, be 1.2 percent higher than the inflation rate. At the present time federal

organs estimate that the daily inflation rate in Yugoslavia is between 6 and 7 percent.

The reporters were also advised that the second report on violations of humanitarian and war rights in the territory of the former SFRJ has been completed. Federal Minister for Justice Dr. Zoran Stojanovic acquainted reporters with additions in the new report, which has already been sent to the responsible commission in the UN Security Council. Some accounts in the new report are not "direct" due to the protection of the personal integrity of witnesses. However, new ones have been added, especially those about massacres of Serbs in western Slavonija and in Vukovar.

Many shortcomings in the report of 23 April have been corrected and supplemented with material findings of the Department of Defense. Stojanovic pointed out that all appendices to the report will be sent in the future to the UN commission immediately and there will be no wait for correction of the new report. In order for this process to be accelerated, a new committee has been formed in the Federal Government.

[Box, p 11]

### **Ration Stamps and Coupons**

Among the temporary measures provided for by the future law on trade, special attention has been devoted to possible shortages of basic products on the market. The law drafter also included former ration stamps and coupons as well as a series of other urgent measures. For now, as the reporters were informed, there is no basis for the introduction of ration stamps and coupons.

### **Cuts in Federal Administration Planned**

93BA1164B Belgrade POLITIKA in Serbo-Croatian  
15 Jun 93 p 13

[Article by M. Caric: "Spring Housecleaning in the Federal Administration"]

[Text] Judging by recent demands coming from Serbia and Montenegro addressed to the Kotic government, federal bodies are to cut the size of their personnel in half in the very near future. The deadline for completing this job has all but expired, but according to recent information, the job has not been altogether finished. Of the 7,707 employed on 31 December of last year, as matters now stand, only about 4,000 people in federal bodies and agencies will be there at the beginning of 1994. By that time, it is expected that the federal budget to meet the needs of the federal government will be reduced, but the percentage has not yet been fixed.

### **The Jobs of the New Federation Are Still Not Known**

The task of downsizing is complicated and fairly delicate, and the entire situation is made more difficult by the fact that there are no established relations either between the two republics or between the federation and



its members. The three constitutions have not been reconciled, and, most essentially, the tasks which the federation is supposed to perform have not been spelled out precisely. Aside from the federal administration, it has ministries of internal and foreign affairs, the Customs Administration, and the Federal Flight Control Administration, which, of course, after the army, are at present spending most of the federal budget.

Because these relations have not been worked out and because the republics have a disguised desire to perform as much as possible of governmental and intergovernmental business, the housecleaning in the federation has been done and is being done at present in a fairly haphazard way and on the basis of uncertain and unclear assessments.

The least of the problems in the entire job are the federal administrative agencies, although the finger is pointed mostly at them. Those federal bodies employ only about 700 people, one out of every 10 of all federal employees.

It is also of interest that only recently have earlier plans been abandoned for considerably modernizing and improving the federal administration and for developing to that end a special department for improvement of the quality of the federal administration's efforts. In the recent housecleanings, however, that department was one of the first to be discontinued.

According to Dr. Zoran Jelcic, who headed that department, it is not clear even now what task the new federation is supposed to perform. For the moment, the tasks of the department for improvement of the efforts of the administration are being performed by the general secretariat of the federal government for transformations in the federal government. The undefined status of the federation and the recent demands from the republics also point up the fact that the new federation might quickly be reduced to a confederation.

That is, if the number of personnel is reduced to only a token measure, it is clear that the republics will have to perform many tasks in the areas of internal and foreign affairs and customs which were envisaged for the federation.

#### Civil Servants on Mandatory Leave

Along with the reduction in the number of personnel, a reduction in the size of the federal budget has also been envisaged. This task has not been precisely defined either, so that to a large extent the parliamentary debate will consist of arguments about secondary matters. That is, it will not be clear to the deputies how far they are supposed to cut the federal budget. The downsizing of the federal administration will be difficult to carry out because for all practical purposes it is already spending less than 5 percent of the budget, so that pruning will be passed on mostly to the ministries of internal and foreign affairs. A finger is also being pointed at that portion of the federal budget being spent by military pensioners.

Their pensions, that is, take up 19 percent of the budget, that is, 1 dinar out of every 5.

In the technical meetings, the question is often put as to how suitable military pensioners are for defense of the country, that is, why the military budget is being spent for purposes which do not come under direct defense of Yugoslavia. In any case, this part of the budget will be a hit topic in the parliamentary sessions.

Reduction of the federal administration is at the same time not so important, but, as matters stand, it will be reduced to the most necessary measure. This task has been taken the furthest in the Federal Ministry for Foreign Relations, where Milorad Unkovic, federal minister, has done his part of the task "most thoroughly." The surplus of employees is being prepared for mandatory leave, and if there is the money, they will be able to get severance pay to cover 24 months. That money, however, differs considerably from what was paid in 1990 and 1991, when monthly salaries ran to 1,000 marks [DM]. In recent months, earnings in federal bodies and agencies have dropped to the range between DM50 and DM150.

#### Serbia

##### Seselj Appoints New Chetnik Dukes

93BA1127D Belgrade BORBA in Serbo-Croatian  
1 Jun 93 p 11

[Article by M. Mikuljanac: "Seselj's New Chetnik Dukes: Heroic Heart and Parliamentary Immunity"]

[Text] *The number of living Chetnik dukes increased during the month of May from two to 20. Those who were worried about the health and influence of the older two, Momcilo Djujic and Vojislav Seselj, are at peace now. They say ironically that this is the only type of production that is experiencing growth in the country under sanctions.*

When Djujic promoted Seselj to the post of Chetnik duke in the summer of 1989, the war in Yugoslavia was not yet on the horizon, and many people regarded that gesture as an anachronistic attempt to get publicity.

There has been no shortage of war for Duke Seselj, however. His volunteers, under the black flag with the motto "freedom or death," have fought their former brothers from the Kupa to the Drina. And while traditionalists say that only Momcilo Djujic can appoint dukes, Seselj has concluded that he is the only one present on the battlefield, which on 13 May resulted in the meeting in Romanija, where the leader of the Serb radicals promoted 18 new Chetnik dukes.

The average newly appointed Chetnik duke is 38 and a half years old, has intermediate specialist's training, is of rural origin, has been involved in the Serb-Croat-Muslim

fighting from the very beginning, is a member of the Serbian Radical Party, and has a beard or at least a moustache.

Nearly every other new duke is a deputy to one of the Yugoslav parliaments. One of them (Ljubisa Petkovic) is even the vice chairman of the Serbian Assembly, while Tomislav Nikolic is the head of the Radical parliamentary caucus and Milika Ceko Dacevic is a member of Federal Assembly's Security Committee.

The others, insiders say, are former JNA [Yugoslav People's Army] officers, who grew their beards very soon after the war broke out ("they realized that it was not a military that would consistently fight for Serb interests in Serb lands"). Vojislav Seselj refuses to discuss details from the biographies of the most prominent Chetnik fighters because, as he says, "nearly everything that they have to tell about themselves they have said in places where Serbhood is being defended." The proclamation of the new dukes, including a solemn oath and anointment, was announced in Romanija on 13 May, right before the referendum in the Serb Republic [of Bosnia-Herzegovina]. Dozens of foreign television cameras recorded the event. One French journalist said that "for the extreme rightwing Seselj, this is the only way to attract public attention and to encourage the population to reject the Vance-Owen plan." Seselj does not share that view: "Every 13 May, we are wherever things are worst off, last year in Vukovar, this year in Romanija. Surely we're not supposed to be running around Ravna Gora with those psychopaths?"

Unlike the dukes in the military of the Kingdom of Serbia (where that was the highest rank, equivalent to that of marshal), Chetnik dukes were volunteers who distinguished themselves through heroism.

Only the most influential generals could become dukes in the army of the Kingdom of Serbia, while one could become a Chetnik duke from lower ranks as well, that of major or colonel, for example.

For those who think that the Chetniks are paramilitary, here is a description of the position of those units in the military of the Serb Republic by Slavko Aleksic, one of the new dukes, in the publication JAVNOST:

"We wear the cockade because we are descendants of Nemanjic. We are now a regular unit, known as the New Sarajevo Chetnik Detachment, part of the 4th Battalion. We acknowledge the command, carry out orders, everything is fine, there has not been a single disagreement with the command of the Serb armed forces. Things have been that way since Mr. Seselj's visit. Before that things were difficult. Some of my people were even arrested. Then Vojo came, relations were smoothed out, we got pay for two months, and now everything is perfectly fine."

There have also been several challenges to the declaration of the new dukes. Veljko Djuric, the author of

"Ilustrovane istorije cetnickog pokreta" [Illustrated History of the Chetnik Movement], feels that neither Seselj nor his 18 younger "colleagues" deserve "dukehood." He is even willing to bet that none of the new dukes knows the original text of the Chetnik anthem, "Ready Yourselves, Chetniks."

Vojislav Seselj responds: "Perhaps I did not deserve it, but the man who has the right to declare people Chetnik dukes thought that I did. Where would it lead us if we reconsidered whether everyone deserved to be where they are?"

[Box, p 11]

### New Dukes

The 18 new Chetnik dukes are: Zdravko Abramovic, Slavko Aleksic, Mirko Blagojevic, Branislav Vacic, Nedeljko Vidakovic, Miroslav Vukovic, Branislav Gavrilovic, Milika Dacevic, Zoran Drazilovic, Todor Lasic, Milan Lanzucanin, Mitar Maksimovic, Tomislav Nikolic, Jova Ostojic, Ljubisa Petkovic, Srecko Radovanovic, Slavko Crnic, and Dragan Cvetinovic.

### Production Falling, Prices Rising

93BA1125A Belgrade POLITIKA in Serbo-Croatian  
2 Jun 93 p 11

[Article by A. C. K.: "Economic Movements in Serbia: A Drop in Production and a Daily Rise in Prices"]

[Text] *In April, it says in material prepared for tomorrow's meeting of the Assembly of the PKS [Economic Chamber of Serbia], prices under direct control rose faster than those that are established freely. Living costs about 1,578 times higher than last year.*

In April something unusual, from appearances, happened: prices that are freely established rose significantly more moderately than those under direct control. Thus, prices under a system of agreement rose by 142.1 percent, those under direct control by 143 percent, while at the same time prices that are established freely but with prior notice increased by 83 percent, and, finally, those that are established completely freely rose by 89.5 percent.

This is only one of the data contained in the material, "Economic Movements and Current Problems in Individual Economic Branches and Activities," which will be reviewed at tomorrow's meeting of the assembly of the PKS... In addition, there is information that living costs rose by 95.6 percent in April in relation to the previous month and by about 1,578 times in relation to the same month last year.

How somewhat more than two million employed in the Republic, with an average income of 4,627,000 dinars in April, and especially an army of unemployed, are going to surmount this, will be difficult to say at the upcoming Assembly, but as a consolation figures have at least been prepared about what spoiled our lives most in the past

period. Thus, the cost of "renting" is in first place with an increase of 159.1 percent, "clothing and footwear" with 130.1 percent, and next, costs for "transportation means and services," 120.1 percent, and hygiene and health care, 118.2 percent.

The overdue measures of monetary policy, as assessed in the above-mentioned material for the Assembly of the PKS, pulled industrial production back from an even greater plunge, and it is stated that in January, in comparison with the same month last year, a drop of 36.8 percent was noted, in February 40.3 percent, in March 40 percent, and in April 40.9 percent.

### **Largest Food Producer Interviewed**

93BA1125E Belgrade POLITIKA in Serbo-Croatian  
31 May 93 p 14

[Interview With Vojislav Simanovic, director of the PKB [Belgrade Factory-Farm] Holding Corporation, by Vladimir Djeordjevic, date and place not given: "What We Will Eat: the Command Economy Is Leading to a Colonial Economy"]

[Text] *The state must decide as soon as possible what it is going to do so that food producers will know what to do, says Vojislav Simanovic. If the year is an average one, the PKB will produce 56,000 tons of wheat, 112,500 tons of sugar beets, 17,500 tons of fruit, 50,000 tons of grapes, etc. Food prices have been depressed up to now so, under the current chaotic conditions, slowing them down is out of the question*

All eyes at the moment are directed toward agriculture, and at no time in the past half century have we asked ourselves more dramatically—what will we eat, will we have enough food, and at what price? Never has agriculture been the priority of priorities, as we say today.

Despite the great area under seed, as well as certain reserves, there are many controversies about whether, for example, we will have enough food from harvest to harvest and, what is more important, whether many people will be able to buy the food if it is available.

### **Smaller Drop in Production**

We are first asking our subject, Vojislav Simanovic, general director of the PKB Holding Corporation, the largest food producer in the country, how the sanctions are affecting this company.

[Simanovic] We succeeded in reaching last year's basic goal, necessitated by the introduction of the sanctions. This is reflected in the establishment of a material base and the existing level of production, as well as the social security and status of PKB workers. To be truthful, production in the PKB Holding Corporation decreased last year by 23 percent (the effect of the blockade, the drought, the city), but that is a significantly smaller drop than for all those with which we can compare ourselves.

I would certainly mention, among the positive effects in the past year, the elimination of all problems at the "Dimitrije Tucovic" sugar refinery, the "Vocarske Plantaze" [Orchard Plantations], and the "Ribarstva" [Fisheries]. In addition, five key, strategic developmental programs are currently being carried out in PKB, among which are an assessment of the value of social capital, establishment of a uniform informational system, and the establishment of a system for administering quality, adapted to a standard. We intend to prepare for the issuance of external PKB shares, in short, we are readying ourselves for the period that will begin after the sanctions are lifted.

[Djurdjevic] Let's return, nevertheless, to that which PKB represents today in the production sense. In other words, what can we expect this year from the fields and plants of the PKB?

[Simanovic] With extra effort, we were able to ensure that the spring planting and the work in the orchards and vineyards were carried out in accordance with a maximum of agro-technical measures and under optimal conditions. We provided for many "inputs" with the investment of foreign exchange elements, so it can practically be said that we planted marks.

If there are no problems with the elements, like last year's drought, the PKB can then expect 56,000 tons of wheat, 112,500 tons of sugar beets, 17,500 tons of fruit, about 50,000 tons of grapes, and several thousand tons of vegetables, to mention only some of the most important crops. Our own production of milk will exceed 72 million liters, while the delivery of 3,900 tons of livestock to the market is planned.

In addition to its own raw materials base, the PKB processing industry also depends on the village, with which we maintain good business relations.

### **Seasonal Workers Are "Saving" Fuel**

[Djurdjevic] What must be done for this year's harvest to be gathered on time, placed in storage facilities, and processed? What is to be done with surpluses?

[Simanovic] We often hear that agriculture is the priority of priorities. However, there are in these statements, in addition to sincere intentions, a number of abstract pledges. I cannot say that there have not also been understandings by financial institutions; nevertheless, we have been witnesses to delays in primary issuances just when preparations for spring planting were in full swing. The situation is similar with "Jugopetrol," which has regularly fulfilled its obligations to the PKB, with the quantities that it had at its disposal, but insufficient quantities were in question, so we got a large part of our fuel on the "black market," at high prices.

In order to save on fuel already in short supply, we decided to employ seasonal workers for some operations.

During the harvest in the fall season, true conditions must be created for agriculture to have priority in every regard.

As far as reserves are concerned, we have focussed on those programs and goods of an import character that can be realized, if I may put it this way, the first day after the blockade ends. Specifically, we must believe that the sanctions will end, and prepare ourselves for that moment, but in contrast prospects are very unfavorable.

[Djurdjevic] Can food, with everything, be less expensive, or at least prices rise more slowly? What are the means to achieve this?

[Simanovic] The facts are merciless, and they say that the "input" prices on which agriculture depends are increasing significantly more rapidly than the prices of final agricultural products; this was especially evident this spring. Under such conditions, with inflation, it is difficult to expect that there can be any slowing down in the rise of food prices. Moreover, it is known that food prices are under a certain degree of administrative control for a longer time, in order to bring about their permanent depression.

If we want real market production, continues Simanovic, then the state must play a much more active role, which should reflect, on the one hand, subsidies, compensations, etc., and on the other hand, the establishment of one overall social program, with which we could protect the most threatened segments of the population. Unfortunately, we do not have an agrarian policy, but we go from today to tomorrow. A policy of survival and strategy "until further notice" is really in question!

#### **We Do Not Have an Agrarian Policy**

[Djurdjevic] What if it comes to a "directed, command" economy, if the state exclusively decides about food, this being in sight, it seems?

[Simanovic] We are now working under anarchical conditions, without a clearly defined economic system and an economic area, with the presence of corruption, speculation, a practically collapsing financial system, as well as social hopelessness. We are trying with all this to operate normally, we are doing what is in our power, with the conviction that the fate of the PKB is in our hands. Under the conditions of the blockade, with a hermetically sanitary cordon around Yugoslavia, the difficulties are greater every day. With interrupted financial, production, and informational connections, even the existing production base will fall to a lower level. The departure to improvisation is threatening, where forces will be strengthened that are for the natural, and not for the market, production of food, which represents the focus of our corporation.

With the introduction of a command economy, we will be practically going toward a colonial economy, with a cheap labor force, of which we are somewhat afraid. Therefore, the state must decide, in order for us to be able to know what will happen with the agricultural sector: will it be a function of social policy and supply (reduced to sizes and quantities), or will conditions be created for it to evolve gradually, through an appropriate transitional period, into a modern sector of the economy. I believe that this presupposes a normal and open economy, an international market, a price policy, and other market elements.



**END OF**

**FICHE**

**DATE FILMED**

8 July 1993